

COMMITTEE ON FINANCE

April 18, 2002

7:00 PM

Mayor Baines called the meeting to order.

The Clerk called the roll.

Present: Aldermen Wihby, Gatsas, Guinta, Sysyn, Osborne, Pinard, O'Neil, Lopez, Shea, DeVries, Garrity, Smith, Thibault, Forest

Messrs: School Committee Members Stewart and Donovan, R. Chapman, S. Plodzik, K. Clougherty

Discussion with Manchester School District representatives relative to supplemental appropriation request for FY2002 including items as follows:

a) Resolution:

“A Resolution providing a supplemental appropriation to the Manchester School District in the sum of \$480,000 for the Fiscal Year 2002.”

Mayor Baines stated just to update the members of the Board of Mayor and Aldermen and School Board members and the public, we have been in contact with the Department of Revenue Administration asking them to give us some advice and counsel regarding that. We do not have that as yet and hopefully we will receive that within the next couple of days. Until such time as we receive that, the City Clerk will not be providing me with advice on how to proceed. That is a missing piece of the puzzle this evening so I am not able to fulfill the provision of the Charter that the Mayor certify after verification of the City's Finance Officer. I just wanted to let you know. I will now turn it over to representatives from the School District.

Alderman Garrity asked are we going to take up Item B.

Mayor Baines replied Item A is first and then we will go to Item B.

Vice-Chairman Stewart stated we are going to do the budget presentation second and then the supplemental...

Mayor Baines interjected our agenda calls for a discussion of the supplemental appropriation first. Let's do that and then we will do the budget.

Vice-Chairman Stewart stated we are pleased to be here this evening to talk to you about our request for a supplemental appropriation. We have responded to a number of questions that have been asked over the past month for this and we also want to clarify a number of issues for you this evening so at this time I will turn it over to Mr. Donovan.

School Committee Member Donovan stated I have to my right Steven Plodzick the auditor for the School District and to his right I have Ronald Chapman who is the Business Administrator of the School District. They can back me up and hopefully among the four of us we can answer any questions you may have about the supplemental appropriation. I am going to take this in three pieces. The first is how much are we asking for. The resolution request was for \$480,000 but we would be happy if the Board of Mayor and Aldermen would amend that down to the level of \$400,000. The reason we had asked for \$480,000 was that we were including \$80,000 for a supplemental appropriation for our School Food and Nutrition budget. We have decided not to ask you for a supplemental appropriation for that because we didn't feel that we could verify the amount of our surplus revenues at a level of certainty under the process that we have been working with so we decided not to put the City Finance Officer through the pain of that. Be assured we are going to have a balanced budget for School Food and Nutrition. We have more than enough revenue to cover the additional expenditures. As you know, no property tax dollars go into School Food and Nutrition. We just can't verify it. So that leaves us \$400,000, which is the amount we are seeking from the revenue surplus in our general fund and we are seeking that for use for general fund appropriations. The next question is do we have a general fund surplus of at least \$400,000 and the answer is yes and quite a bit more. The numbers that we have provided to the Finance Officer have shown on our own books as of last month closing we anticipated \$591,000 as our general fund surplus as of June 30. Since that time we have conducted due diligence and Mr. Clougherty has conducted quite a bit of due diligence and as a result of that there are some deducts and there are some adds and we have decided not to even include some numbers because we don't think they have reached the level of verification but we still think that we have an amount well over \$500,000. Mr. Chapman, what is the amount? \$535,000 that meets the level of verification. Again we still feel that the number we are going to arrive at will be closer to \$600,000 but we think with the deducts and the adds that we are comfortable at that level. We can answer specific questions if you will about that. Now how do we get to that level and what are the two factors that get to it? We are comparing our actual revenues in our general fund as against the School District's budgeted revenues and that is what the Mayor mentioned he is seeking an opinion from the

Department of Revenue Administration on as to what the appropriation benchmark is for the revenues. We have an opinion from our counsel, Dean Eggert, in writing which I believe the Mayor has seen which says that under the law we, the School District, determine what our revenues are and so that is the benchmark against which we have to decide whether or not we have surplus revenue. That is a matter that is still under discussion and that is why the Mayor is not in a position tonight to certify. The third issue is so why do we need a surplus appropriation. The people asked good questions at the public session about that and there are two components to that. We have had some expenditures on certain line items that are over budget to the tune of \$1.3 million. I don't want to bore you with all of the stories behind it but I will tell you about three line items. The first is our benefits line item. We are projecting that we will be \$732,000 over budget on the benefits line item. That would be health insurance, retirement and similar types of expenses for our existing employees. As you know we are required to provide those services to our employees and we are stuck with that. Why is the budgeted amount not enough and why are expenses higher than that? There are at least three reasons for that. One of them is that the amount that was used, the budgeted amount of increase that was used by the School District turned out to be less than the actual premium increase that we received from Blue Cross. We created that budget back in the spring of 2001. So that is one component. Another component is more people joined the plan and joined it at higher levels, that is at the family level, than we projected which creates additional expense for us. The third major component, \$137,000 of it, is additional City retirement premiums above what we budgeted. So those combination of things hit us for \$732,000. The second major line item that has gone over our budget is salaries - \$364,000 and that is not because we have gone on a hiring spree. We have not. That is not attributable to additional hires. The salary line item is over our budget for two reasons. One is we have been hit with a larger number of needs for substitute teachers this year, whether it be because of maternity leave or other reasons. We are \$220,000 over on that particular account. The balance of it or the main part of the balance of it is that those employees who are members of AFSME or MESPA with the Yarger Decker increases we did not properly budget those increases for our people and that is a portion of that. That is a \$364,000 item. The third major item is \$238,000 and that is for student transportation for special education services. We are required by law to provide transportation for those students who have those needs and often times that is expensive. Sometimes it is individual transport. Sometimes it is individual transport to schools many miles outside of the District. We have no choice but to pay for it. Those costs are expensive and when we get a child who has those needs, we have to meet them. We have to take them where it is most appropriate for them. So the total of those three items gets us to \$1.3 million and we are currently on track to...but just barely to end up with a balanced budget even with that \$1.3 million in overruns. How have we done that? I think you know part of the answer. We have cut back on funding for the SCIP projects.

We have cut back on supplies to schools. We have been fortunate that it has been a mild winter and we have had some savings in some other accounts. The amount of the savings that we have had in those other accounts and the cutback in supplies is still not enough to fund what we consider some needs we have through the balance of the fiscal year. That includes supplies for spring activities at our schools, including some items relating to athletics. We want to fully fund things like graduation. We very much want to do the Verizon Arena. We also very much want to do maintenance projects. Can we sit here in front of you and say that all of the maintenance projects that we hope to do can be accomplished? The answer is no but we can do some of them. What is the amount of the maintenance projects that we have not yet allocated? By our March 31 numbers, \$428,000 remains unspent or uncommitted but we have another deduct that we are entitled to make from that. In our SCIP budget, \$135,000 was reserved for architects and engineering expense for work at the high schools. Because there was a surplus on the bonded account for the McLaughlin Middle School, through the Joint School Building Committee, \$250,000 has been transferred to be used for just that – architect and engineering services relating to work at Memorial High School and otherwise so we believe that we have met \$135,000 of the planned SCIP budget for architect and engineering services. That would bring down our \$428,000 to \$300,000. Do we feel that if you give us \$400,000 we can spend \$300,000 of that on the so-called maintenance projects? The answer is no we don't think so. Can we give you a firm number tonight of how much? I can't give you that. I can tell you that we will spend some of it on those projects. Thank you.

Alderman Thibault stated I have a few questions if I might. First of all, when did you know that you were going to have these shortfalls. Did this just happen this week?

School Committee Member Donovan answered no. When I got into office in January it became apparent to me that we had them and I testified in front of this Board at the first chance I had, which I believe was around February 5. I told you at that time that we had a problem with respect to it and that we were behind in spending on the maintenance projects. So we have known about it since then and I believe I told you at that February 5 meeting and I also mentioned it in a meeting in early March that we would likely come before you in April to ask for a supplemental appropriation from surplus.

Alderman Thibault stated I have another question and maybe I just don't understand that but how can you claim to have a \$500,000 surplus or \$480,000 surplus when you didn't do the work that we gave you the money for last year. Whether it is maintenance or any other account doesn't really matter. If we gave you the money for specific reasons and you didn't spend it there, that money should come out of that surplus. That \$500,000 to me should be \$20,000. That is

not a surplus. If you had a surplus because you didn't spend the money that we gave you, it is not a surplus it is money that you didn't spend.

School Committee Member Donovan replied well the money is for this fiscal year and the way the appropriation thing works is the appropriation is very separate from the revenues and we can't just net them out like in a business.

Alderman Thibault responded the point is this. If last year we gave you \$400,000 and I am using an arbitrary figure here, if we gave you \$400,000 to do specific programs and you didn't do them I would hope that you would end up with \$400,000 in your budget over this year. If you didn't do the projects for \$400,000 like you were supposed to then you should have that money in your pocket.

School Committee Member Donovan replied we had to transfer it to other line items where we had overages.

Alderman Thibault asked why didn't you come to the Board at that time and say look we made a mistake here. We didn't appropriate for this and we now we are going to have to take it out of maintenance. I would ask the Mayor at this point to abolish the Joint School Buildings Committee. What is the point of me spending 40 hours here last year on that Committee if you guys do what you want anyway. It doesn't matter what we plan. That bothers me and then you talk about transportation and I understand that you have individual transportation needs and stuff like that and if it is something that you didn't appropriate in your budget why don't you, when you find out you have a problem like that, come to this Board. I have been on this Board a long time and I have never seen a department that runs into a problem and comes and tells the Board that I don't see this Board go through loops to try to find the money. It is when it happens after seven or eight months that you guys have tried to patch it up that now we are going to have to pick up the pieces. I think that is wrong. That is my feeling.

Mayor Baines responded the only thing I would say in defense is they did come and they did bring the problem to our attention and they have also put in place on several occasions a procedure for how they would like to deal with it.

Alderman DeVries stated you indicated that you might still be doing some of the SCIP projects. Have you revised a list of what you might complete by priority so that we might see what we might be funding?

School Committee Member Donovan replied we could give you that. I can tell you that there are some projects because of the passage of time that we couldn't accomplish even if we wanted to. I can tell you that there have been some issues with elevators, one of which we have worked on at the Central office. There was

also an issue that has come up with an elevator at Beech Street School. Those are really on the emergency list as opposed to on a priority list. Mr. Chapman do you have some priority items there?

Mr. Chapman stated I noticed on the agenda under Mr. Garrity's question that there was a list provided by the Building Maintenance Division and if you look at those items I think there are quite a few items there that wouldn't have gotten completed anyway until April, May or June – mainly the repainting and some of these types of projects. We are working...I have talked to Barbara Connor and asked if she could give us an idea of what projects here would be feasible to be able to be completed given some latitude with regards to a dollar amount whether it be \$50,000 or \$100,000. I think most of that work would be dealing with the brickwork that is outlined in that list.

Alderman DeVries stated there are several projects that have already been scheduled for the summer. Is that something that you are anticipating would continue to be funded?

Mayor Baines replied that is in the next budget.

Alderman DeVries asked is it in the next budget if it were showing on the SCIP list.

Mr. Chapman answered it would be on the FY03 SCIP list.

Alderman DeVries asked so you have transferred it over is that what you are saying. If it is showing on the FY02 SCIP list you are saying that you have taken some of those items and transferred them to FY03?

Mr. Chapman answered we haven't really sat down and...because of the situation we really haven't sat down with Building Maintenance and said these items didn't get done last year let's add them but normally that is what happens. Building Maintenance gives us advice as to what projects should be on the cash maintenance list and we would bring that back to the Building & Sites Committee of the School Board and then we would probably during the month of May bring those projects forward as part of those items that are in our FY03 budget.

Alderman Garrity stated I have the operating statement here dated March 27. On maintenance project 0894, that line item, it says balance remaining \$428,607 but the balance % says 0 so I assume that those funds have been transferred somewhere else is that correct?

Mr. Chapman replied no. I think the percentage is just...those percentages are just in error on that spreadsheet.

Alderman Wihby asked is it March 21 or March 27 that you are looking at Alderman Garrity.

Alderman Garrity answered March 21 but on the bottom it says prepared by the Business Administrator March 27/02. School Board Member Donovan stated earlier that about \$135,000 and then the \$250,000 transferred from McLaughlin...now did you state that that came out of SCIP Cash or...there was something there that you said was \$135,000 and the \$250,000. I lost you there for a second.

School Committee Member Donovan replied it did not come out of SCIP Cash. It came out of the McLaughlin surplus bonded revenue; however, it is being used for a purpose, which was a line item on our SCIP project list.

Alderman Garrity asked and the \$135,000 can you update that. It was for a high school project you said?

School Committee Member Donovan answered correct.

Alderman Garrity asked did you state that that was going to be taken out of the SCIP Cash line item.

School Committee Member Donovan answered I am not an accountant. I know from a management standpoint that is how we feel it should be treated. How the accountants deal with it, I don't know.

Alderman Garrity asked but the \$250,000 from McLaughlin is a bonded item. Is the \$135,000 a bonded item?

Mr. Chapman answered no. The \$135,000 is the fifth line up on that list.

Alderman Garrity asked on the handout.

Mr. Chapman answered not on the handout but...

Alderman Garrity interjected okay \$135,385.

Mr. Chapman stated in the fall basically when Building Maintenance brought the list to us they had said we should...they did not have enough funding at the time within the CIP program to fund the full \$250,000 that the Board had requested for

bonded projects so they designated, along with the Building & Sites group, that \$135,000 of the Cash amount would be set aside to do bonded projects and would come out of Cash instead of bonds. So when they brought the request to the Board of Mayor and Aldermen to move that money out of the excess McLaughlin fund so that it could be used to work on the architectural structures for Memorial. I believe that was done two and a half months ago so that is how that \$135,000 now becomes a free item.

Alderman Garrity asked so when I read the statement here dated March 27 under line item 894 where it says 2002 projected expense, can I add \$135,000 to that. Is that right? So we take \$135,000 from the \$428,000 remaining? Is that right?

Mr. Chapman replied no. Basically what would happen is that out of the budgeted \$964,000, \$135,000 would be available to transfer because those funds were acquired from another source, namely the CIP plan.

Alderman Garrity responded I lost you. The \$428,000 you are going to transfer somewhere else, is that right? The \$135,000 of the \$428,000 remaining you are going to transfer somewhere else?

Vice-Chairman Stewart stated I can clear that up for you. Our general fund statement of March 21 suggests that there is a balance of \$428,607 in the maintenance projects. Of that money, \$135,000 of the obligation which is listed on this sheet has been met through funds that were remaining from the bond for the McLaughlin School. What we are trying to tell you is that we feel as though we have met \$135,000 of that obligation. How that is handled accounting wise we are not sure, but what we are suggesting to you is that instead of \$428,607 as a balance remaining in terms of our obligation it is more like \$293,000. Mr. Donovan rounded it up to \$300,000 but it is really \$293,000. Does that help?

Alderman Garrity asked that money is left over bonded money is that right, the \$135,000 that is getting transferred into there.

Mr. Clougherty answered we will have to go back and look at it. This is the first time it has been presented to us, Alderman. Any bond balance as you know has to come back before the Board through the CIP process to be reallocated. Whether that has been done, I can't tell you. That would be a question for Bob MacKenzie and I will ask it tomorrow. If it hasn't been done, it has to come back before the Board in order for those transfers to occur.

School Committee Member Donovan stated my understanding is it has come back to this Board and it has been voted on.

Mayor Baines stated we are going to research that for you.

Alderman Wihby stated just to follow-up on that, so we voted to transfer a bond balance to another project.

School Committee Member Donovan replied my understanding and actually I should correct that, I believe the equivalent of your Building & Sites Committee has done that. Whether the full Board has, I don't know that.

Alderman Wihby asked your Building & Sites Committee.

School Committee Member Donovan answered no your committee, the Joint School Buildings Committee. They voted to transfer \$250,000 of unused bond funds from the McLaughlin School account to be used for architect and engineering services with respect to Memorial and other projects.

Alderman Wihby asked and that item is on the SCIP projects, the \$135,000.

School Committee Member Donovan answered yes.

Alderman Wihby asked is that a bondable...I mean normally when we...paving isn't bondable yet reconstructions are. Is that architectural and I can ask the auditor are architectural fees going to be able to be bonded?

Mr. Plodzik answered yes it could be.

Alderman Wihby stated okay so that straightens that out I guess and I don't think we voted on it but maybe it is coming. I have a question. On the March 21 statement...

Mayor Baines interjected I recall that that has already been voted on and the Clerk agrees.

Alderman Wihby stated on the March 21 statement where it says transport student, line 0513, I heard you say it was \$238,000 but yet this sheet shows \$13,000.

School Committee Member Donovan replied the answer to that is we have internally made a line item transfer to cover that deficit.

Alderman Wihby asked that came up after March 27.

School Committee Member Donovan answered no. At our January 9 meeting we made a transfer, a line item transfer from the regular transportation account and

the electricity account into line item 0513, student transportation services, of \$238,000. As you can see, even since then we have run up a slight deficit.

Alderman Wihby asked so the sheet is wrong that we have from March 27.

School Committee Member Donovan answered it is correct but it reflects the fact that we have amended...we made a budget transfer in January so what you are looking at is the adopted...

Alderman Wihby interjected don't budget transfers show up on this.

School Committee Member Donovan replied actually it is incorrect where it says Adopted BOSC. It should state Adopted BOSC Budget as Amended.

Alderman Wihby asked so your adopted budget numbers are wrong.

School Committee Member Donovan answered the adopted budget number is correct.

Alderman Wihby responded I am looking at the balance.

School Committee Member Donovan replied what you are looking at is a budget that has since been amended as to line items.

Alderman Wihby asked so when you amend budgets you don't put them on these sheets.

Mr. Chapman answered no. What we provide and Mr. Donovan is correct, what it should say is Adopted and Amended BOSC budget. The total numbers are still the same, \$111,682,207, which is the amount that the Board of Aldermen had given us as a total line item for the general fund budget but what we do is when we see we have this issue for example with transportation we bring it back through the Finance Committee and the Finance Committee approves a budget transfer and once it goes through the Board of School Committee I then make a correction to the lines and I subtract money from one line and put it in another. We could just as easily put in two lines here, one saying adopted budget and the other one saying amended budget so that you could see the difference.

Alderman Wihby asked, Ron, you amend the budget monthly right or you give them a sheet and there are votes during the course of every month or could be votes during the course of every month that changes the number because you realize you are going to need more in student transportation instead of regular

transportation for example. Those don't show up on any of these sheets that we get?

Mr. Chapman answered not specifically; no they don't.

Alderman Wihby asked so what is the number for regular transportation then. What would the balance remaining be for instance? If the student transportation isn't \$13,000 but \$238,000 what is the regular?

Mr. Chapman answered the regular transportation number in the budget that shows \$1,424,726 would have been \$165,000 higher.

Alderman Wihby asked \$165,000 higher because the \$1,925,955 was \$165,000 lower.

Mr. Chapman answered right.

Alderman Wihby stated it seems to me you would want another column that shows the changes every month that you have done.

School Committee Member Donovan replied you are absolutely right.

Alderman Wihby asked when we are comparing these numbers to our budget we assume that the corrected number that you had for a number plus what you encumbered is going to be your final total but it might not be.

School Committee Member Donovan right our Finance Committee has requested that.

Alderman Wihby asked what is the bottom line. Is the \$40,000 the correct number?

Mr. Chapman asked the estimated balance remaining.

Alderman Wihby answered yes.

Mr. Chapman stated yes that is still our best estimate as of March 21.

Alderman Wihby asked so out of the \$428,000 it is really \$300,000 and out of the \$300,000 if you are looking at an additional \$400,000 coming to you I guess you have \$40,000 as the bottom line so if you really do get money it would be \$440,000. What are you using the \$440,000 for? Do you have any breakdown?

You said supplies, graduation, maintenance. Do you have the numbers for that that you put together to get to \$400,000?

School Committee Member Donovan answered we don't have that because one of the things we will do is go back to our own Building & Sites Committee which in May will tell us what projects they think they can accomplish. In addition to that, we...I think there was a discussion that we had a couple of nights ago about that footnoted item, which is the unanticipated debt service of \$244,000. We don't think that should be something that is paid but that is a discussion that we know we are going to have and if someone tells us that we need to pay that this year...

Alderman Wihby interjected can you explain why you don't think you should pay it this year.

School Committee Member Donovan stated we think we should pay it next year. The reason is simply this. That expense was due to a refinancing of debt, which is a good thing because we got a lower interest rate. It was done at a time which created...it basically front end loaded an expense beyond the expense which we had been given at the beginning of our fiscal year for debt service. We have a line item for debt service and that \$244,000 was not part of that line item.

Alderman Wihby asked was it incurred this year. Is it debt that was already for something that you have already bonded?

School Committee Member Donovan answered they refinanced the mortgage, they meaning Finance, refinanced the City mortgage and sent us a bill for it. The problem is they sent us a statement in advance when we were contemplating our budget and this wasn't in it. What we are saying is if you tell us what the number is going to be for our debt finance we put that in there. We don't have...unlike the City side we have not set-up any rainy day funds. We don't have any of the things that have been recommended to us by Mr. Plodzick in terms of expendable trust funds so we put in what we are given and that is the number we put in and that \$244,000 was not there.

Alderman Wihby stated I want to ask the auditor, if in fact it was a number...first of all I am not saying that the number wasn't changed. Obviously it was due to refinancing and the number is whatever the number is, \$200,000 or whatever but when they do the closing of their books just because they weren't anticipating something, wouldn't they still have to include it in the number because it is debt from previous years?

Mr. Plodzick replied my answer would probably be yes they will have to pick it up as a liability if it is due the City.

Alderman Wihby asked so if they continue the way they are going with a \$40,000 bottom line here and have to do that \$244,000 aren't they running at a deficit right now.

Mr. Plodzik answered there would be an additional expenditure of \$244,000. That would be my opinion.

Alderman Wihby asked and your opinion also would be that in order to do that they would have to come back to this Board to spend that and get another appropriation for that alone.

Mr. Plodzik answered I guess if they don't want to over expend the budget. I am not sure the excess revenues will be there. There may have to be a deficit appropriation if that is the case. They are anticipating \$530,000 in excess revenues and you are now going to add another \$400,000 in a supplement appropriation and they are suggesting to you that they ought not to pay the \$244,000 but they may be forced to pay it, then they are going to need \$640,000.

Alderman Wihby replied let me correct that. I thought we were told that...we just heard that there are two separate sides. There is a revenue and an expense side. My understanding was on the expense side that if they had additional revenues they would have to come back and I thought our agreement said this and I thought their attorney said this that they would have to come back for an additional appropriation on the expense side to cover the deficit. So, first they have to make sure that there was revenue there still and you are right, it would have to be another \$244,000 on top of what we are giving them but they still would have to come back to this Board for an appropriation for that expenditure because that is not included in their budget. Either that or they make additional cuts.

Mr. Plodzik responded unless they achieve other efficiencies in their appropriation side and they don't spend any additional money. They have that option.

Alderman Wihby stated but right now looking at this if that money is due and you are saying it probably is, there is a deficit going on without the additional \$400,000. If you know that there is going to be a deficit would an auditor's recommendation be to use that money, if you are going to get additional money, that you should use it to take care of that number first?

Mr. Plodzik replied I don't want to manage the School District. I am going to leave it up to them to decide how to spend that extra money. I am not going to make that decision.

School Committee Member Donovan stated I can tell you that the recommendation of the Finance Committee is that if we have to pay it we will pay it out of that \$400,000 and there will be other needs that will not be met. We are not going to run a deficit because of that \$244,000.

Alderman Wihby responded if you get the \$400,000. If the Board decides not to give you any additional money because it is an increased revenue due to a decreased number back in September so it is still \$500,000 less than this budget that we had put together because when the budget was adopted it was \$1 million higher in revenue. When you went down and filled out the forms in Concord you decreased the revenue by \$1 million, which increased taxes last year because you said you weren't going to get the revenue that was necessary to achieve the rate we talked about. So it is still a decreased revenue from what the Aldermen's budget had been. You are arguing that you have the right to change that number and I guess our Solicitor is arguing that you have to go by the Charter number that was adopted and we will find out what that is so you might not even be able to get the \$400,000. We might not even be voting on that if DRA says we are not. In order to get that extra revenue, you decreased the revenue number so my argument is that you should have never decreased the number last year. The taxpayers already paid for it and if it is an increased revenue we ought to let the taxpayers get the benefit this year coming, which would go towards the deficit which would then flow towards next year's budget and would save taxpayers whatever revenue it is, \$500,000 or whatever.

School Committee Member Donovan responded my only argument with that based on the numbers I have seen is that the School District always budgeted a number that was roughly \$1 million less than what the Board of Mayor and Aldermen appropriated. I think we have been consistent at about \$1 million lower than the Mayor and Aldermen. You have been consistent in being \$1 million higher. It looks like the reality is going to come in somewhere in between. We turned out to be more conservative.

Alderman Wihby stated I keep forgetting that you weren't here until January but we had this discussion back in November after we found out in September that they were doing that and the Mayor's number included the extra revenues when he passed it. The argument was back then and I have the minutes of the meeting where Mr. Chapman said we didn't know the revenue number was changed or what number you used. When asked back in November why has the number changed, his response was well I don't expect tuition credit to come through and we anticipate \$100,000 extra so that we would have fund balance next year. That is what was said in the minutes of the meeting I have if you want to see them. I keep forgetting that half the Board wasn't here back in November when we had some of these discussions. I will show you the minutes from those meetings but

the number never changed from the Aldermen from the date we adopted the budget on July 1. That was the number and it was an extra \$1 million.

School Committee Member Donovan replied and we never agreed with that number. I have seen the numbers and it was relatively consistent from...

Alderman Wihby interjected we sent a letter I think to the School Department asking them do you agree with these numbers and the letter that I have with me from the Superintendent said yes we agree with these numbers.

School Committee Member Donovan replied I have seen that letter and that letter agrees only with the appropriation side. There is no comment on the revenue side.

Alderman Wihby responded if you see the letter we sent him it said expenses and revenues.

School Committee Member Donovan replied I have that letter.

Mayor Baines stated for the record, could you please read it.

School Committee Member Donovan stated sure. It is a June 7, 2001 letter.

Mayor Baines asked do you have the letter that was sent to the Superintendent, Mr. Donovan.

School Committee Member Donovan asked the letter from Leo Bernier. Yes.

Mayor Baines asked would you read that.

School Committee Member Donovan asked do you want me to read the whole thing out loud. It is directed to Department Heads, which we could quibble over but we won't. It says, "Enclosed is a breakdown of proposed budget figures for the departments. Please refer to the Aldermen's recommended expenditures and revenue column."

Alderman Wihby answered there is the word revenue. What does the letter back from the Superintendent say?

School Committee Member Donovan replied it is dated June 7 from Normand Tanguay to the Board of Mayor and Aldermen. It says, "Please accept this as a response to your request regarding the impact of the \$115.8 million budget. We anticipate that the \$115.8 million budget will at best meet our minimal educational needs resulting in a limit of any forward movement on new initiatives. We will

carefully monitor our budget throughout the year, however, should unanticipated costs occur we will request a supplemental appropriation rather than run the risk of deficit spending.”

Alderman Wihby stated so back on June 5 we asked about the expenditure and revenue columns and that was the number on June 5. He addressed in his letter and we can't help what he addressed but he addressed that we are going to live with whatever we get type of thing. The Aldermen assumed...he didn't put down well the \$1 million in revenue is overstated did he?

School Committee Member Donovan replied if you wanted to get a better commitment from him you should have asked for another letter and you didn't get it. I am sorry.

Alderman Wihby responded so it is because we didn't ask good enough. We sent a letter asking and this is the response we got. We got the response from other departments. So at the time the Aldermen went ahead with their budget and it was passed July 1 with the extra \$1 million in it and it wasn't until September that the number was changed. It wasn't until November that I had Mr. Chapman sitting here and asked him what went on. Mr. Chapman stated that the number they gave us back in May had been adjusted by \$450,000 on the tuition side. It wasn't until today that we found out that the number had been different and this was on November 7 that the School Department, after four months of having a budget, decided that they just found out that the revenue was changed. The minutes state “Alderman Wihby stated so in June when the budget passed you had no idea what the revenue number was is that what you are telling me and Mr. Chapman stated we knew what we presented to the Board of Mayor and Aldermen. Alderman Wihby stated didn't you know what the Board used for revenue for the School in June when the budget was passed. Mr. Chapman responded that is right that is what I am telling you.” He didn't know until November, which is what the minutes say, that there was going to be that. In November you found that out. You knew what was used and you changed the number...actually we found this out after you had already changed the number and that is in the past. The number was changed. I guess my argument is it is not excess or surplus revenues, it is still a deficit from the revenue number that the City had put down and set their tax rate on and, therefore, shouldn't be used this year to reduce the budget because of the fact that we had already raised taxes to do it last year.

Vice-Chairman Stewart stated at that time I just might tell you that the School District was working under the November 2, 2000 letter from the State Department of Revenue Administration saying, “for purposes of the budgetary appropriating process, the Department views the School as a dependent district meaning the budget is adopted through the City's normal budgetary process,

submitting the required proposed budget documents and resolutions of the adopted budget. For all other purposes, including the tax rate setting process, the Department views the School as an independent district so the district submits the required documents to us for the tax rate setting. These documents include the MS" and they have added those forms. We were working under strictly an appropriation side of the process, not the revenue side. We were under the impression and still are that we have the authority to set the revenues.

Alderman Wihby asked so what stops the School Department from asking the Aldermen for a number and then putting down...we are trying to set a tax rate and we use the revenue side and the expense side...we do it for all of the departments including the School and we come up with a tax rate of 10% or whatever it is and now you go in November and you change that number, the revenue, and you say I know how to get them, I am going to cut it down \$5 million because then it is a fund balance for me and then I will get to spend it sometime because it is not going to go over to the City side it is going to be a fund balance. I mean you could pay your whole deficit that way just by reducing your revenues in one year other than what we projected. You could go down and pay the whole deficit and say I want to put it towards the deficit. It is \$3 million less in revenues. What stops that from happening?

Vice-Chairman Stewart answered I guess I would say that the forms that our Board must certify and our Business Manager must certify to the State Department of Revenue Administration are carefully checked and that is what stops us from doing that. The others may have some other explanation.

Mr. Plodzik stated I would like to respond to that question. Your system is flawed.

Alderman Wihby replied we know that.

Mr. Plodzik stated when you discuss the estimated revenue, the information that they got from DRA suggests that while you may advise what you want and the Board may advise you...if I were on the Board of Aldermen I would be doing exactly what you are suggesting. I would have the Board of School Committee submit to you what they expect those estimated revenues to be. Now they are subject to change up until the time you set the tax rate. As a matter of fact, when you do your own tax rate setting for the City they are changed and when you get the State revenues and so forth they are changed almost right up to the time the tax rate is set. My suggestion to them was exactly what you are suggesting, Mr. Wihby, that they because you went through the revaluation, that they raise the whole \$2.5 million in that year because I felt they had the authority and I thought clearly DRA would go along with it. You are absolutely correct. Nothing is to

prevent the Board of School Committee from adjusting those revenues when they go and get the tax rate set because I believe they have that authority because the letter they got from DRA suggests they do. I think they are correct in that regard. So taxpayers again, both the Board of School Committee and...if they were to do it they can vote them out. That is all I am suggesting to you. Your system is flawed to the extent where you people as the Board of Aldermen think you have the final say in the estimated revenues. You clearly do in the budgetary process when it comes to appropriations. I would suggest to you that it is incumbent upon you to make sure that you have these people, these people, put them on the carpet to submit those estimated revenues to you as best they can.

Alderman Wihby responded but we thought we did. We had them in the Mayor's number when he presented it in May. We sent out a letter asking them to verify both and they didn't argue. No one ever argued you are \$1 million more as far as the hearing and we assumed and went forward with that number.

Mr. Plodzik replied in response to that clearly if they had not changed the estimated revenue and reduced it then you are going in with a \$2.5 million and I am really surprised if you want to know the truth because I set tax rates for 10 years as part of my job with the State of New Hampshire, that the State went along with the City of Manchester over a three year plan to resolve that deficit. You have to make that up by the year 2004, the \$2.5 million and I am surprised because I hadn't seen that. Clearly if they went along with your estimated revenues they would have a revenue deficit right now in the School Department. You wouldn't be looking at a supplemental appropriation from excess revenues. You would have a revenue deficit if they didn't change their estimates to be conservative. I am suggesting where you are already going in with a \$2.5 million deficit in that department you do not want that. That is the last thing you want.

School Committee Member Donovan stated every budget revenue estimate that the School Board presented was roughly \$1 million higher than every number that the Board of Mayor and Aldermen adopted.

Alderman Wihby replied no one argued when the number was set that the Mayor's number was wrong. There is no one person that sat there saying reduce the number \$1 million. You might have used it in their number but when we told you what we were changing it to, no one argued the other way.

Mayor Baines stated that is true.

Alderman Wihby stated that is why we sent the letters out.

Mayor Baines stated we can listen to this and that was then and this is now and I keep saying that on many issues. There was a responsibility of the Superintendent, whether he addressed it or not to address the budget because when we talk about the budget we talk about the appropriation and the revenues. The budget is just not the appropriation. The question went out do you approve, can you live with the budget and we gave the information related to revenues. I don't think it would have been incumbent when we received that letter well you were also talking about revenues. When we get a response from the Superintendent or a department head saying the budget is okay, we can work with it, that is generally what we work on. I disagree that we needed to come back and ask did you mean revenues. We interpreted his letter to mean that he was okay with those revenues. The other part of the change occurred and Mr. Robinson can correct me but when the debate got to the Aldermen it was around interest income because it had not been included and part of the discussion was yes we need to look at that, that should be included. It was included and that was part of the increase in the revenues that took place. The statement that Dean Eggert makes in the letter that it was changed magically or through some process is totally false and it is unfair. I know that some other comments you may interpret as being unfair tonight but this was not any secretive process. It was done in the light of day. It was public and it was communicated and at no one day did anyone ever come back at any point from the time of the final budget adoption until the tax rate was set to say we don't agree with these revenue numbers and that is a major flaw. I don't see the Superintendent of Schools here tonight to address it either.

Mr. Clougherty stated if I may as we go through this as you know we are trying to wrestle with these questions so I just want to make some clarification that the letter of November 2 I think is what you are referring to, Tom, from Barbara Robinson. If you read that and you have to read it carefully now, it says "for purposes of the budgetary appropriating process the Department of DRA views the school as a dependent school district." Not an independent district, a dependent district, "meaning the budget is adopted through the City's normal budgetary process with the City submitting required budget documents and resolutions of the adopted budget. For all other purposes including the tax rate setting process, the department views you as an independent district." As an independent district there is no question that you have the right to go up and do the changes on the MS forms, but as for the budget process, it is a dependent process and that is because of the peculiarities of our Charter. That is the basis, the nexus of the question that we have before DRA. I just want to make sure that is clear so that nobody leaves here thinking that DRA has been inconsistent or our approach to them is inconsistent. There is a very clear statement here that for budgetary purposes the Board of Mayor and Aldermen are the legislative body and those revenues and those resolutions are what they look to. That is why we are seeking clarification.

Alderman Wihby stated I have three short questions. Can we have a copy of that November 2 letter? Also, you said something about a comment that Dean Eggert made, Mayor, what is that from? Just recently?

Mayor Baines replied just today I guess and we will get you a copy of that.

Alderman Wihby stated my third question is if the DRA comes back and says the Aldermen have no right authorizing the surplus revenue because it really is not surplus because the \$1 million was in the budget at the time and they say you can't spend that money, you are facing and the auditor just said it you are facing a deficit so what do you plan on doing.

School Committee Member Donovan replied I don't agree with the supposition because you are asking me a hypothetical question.

Alderman Wihby asked if the Aldermen don't okay that money, the additional \$400,000...

School Committee Member Donovan stated I don't accept the supposition that we owe the \$244,000 with respect to the debt service this year. I don't accept that. We haven't consulted with Mr. Plodzick about that so there is a lot more to the story about that. We don't think we owe it this year but we are still going to explore that. I don't accept the premise of your question in that regard. In terms of if we don't get the \$400,000 for whatever reason we have enacted a freeze and we are going to do everything we can in terms of cutting back on supplies for the rest of the year and anything that has any discretion in it, whether it be bus trips or anything are off the table unless we are able to create a student fee situation so that is what we are going to do.

Mayor Baines asked can I get a clarification because Mr. Plodzick seems to dispute the assertion that it would not be owed this year. How can you reconcile it when the auditor is saying you have to pay it this year?

Mr. Plodzick replied if it was an accounting question that I was asked...to follow generally accepted accounting principles. If it was a liability owed, I would have a responsibility to the School District. It is their financial statement where you would have to book the liability. The question is, is it a liability. Is it owed the City? That is what I think Mr. Donovan is alluding to. If it is determined that it is owed and I heard Mr. Donovan say that they want to pay it to you probably next year my suggestion to you is that they probably couldn't do it in accordance with GAAP. They may budget for it next year, but in accordance with generally accepted accounting principles if you have paid that bill prior to June 30, 2002 it would be owed. The School would owe it back to you so even though you may

budget it in a subsequent year or want to pay for it, for accounting purposes and that is what I was alluding to, they would have a responsibility probably to book it. They couldn't defer it. There wouldn't be any way you can say we are going to pay it to you after July 1 and take it out of next year's budget. That is what I am suggesting to you. I don't know how you would do it accounting wise.

Alderman Wihby stated but my understanding was...isn't the money owed. I see the argument saying well I wasn't planning on it and I want to put it off to next year. I can see that argument but is the money owed, Mr. Chapman?

Mr. Chapman replied I think the money is probably from a perspective owed. I think the issue was that we were not apprised of this number when we were talking in the fall. We were talking that it would be only about an \$80,000 hit to the School District for the refinancing.

Alderman Wihby responded I can understand that.

Mr. Chapman stated if somebody told me it was going to be \$290,000, which included interest and the debt service we might have had a different plan.

Alderman Wihby responded I can understand that thinking but I also think that...

Mr. Chapman interjected unless we can find some way that the projects that were refinanced or financed shouldn't have been School projects and I haven't had the time to look at that. That would be the only way that I would say it would not be owed.

Alderman Wihby asked so you are saying if they made some sort of mistake when they went out to do the total or something.

Mr. Chapman answered right.

Alderman Lopez stated I just want to clear up something in my own mind. The \$428,000, your contention is that because we authorized \$250,000 from the McLaughlin School and there was \$135,000 in Cash for capital improvements your argument is that money has been allocated to the schools so you are going to take \$135,000 out of the \$428,000 right?

School Committee Member Donovan replied you got it, Alderman.

Alderman Lopez stated well I know we approved the \$250,000 but my question to Kevin is on the capital cash once we allocate it for the schools it is not bonded money but cash so do they still have to come back to us.

Mr. Clougherty asked the SCIP money.

Alderman Lopez answered yes.

Mr. Clougherty replied you give them a bottom line budget.

Alderman Lopez responded we give them a bottom line budget but we gave them cash under CIP for maintenance of the schools and in that cash there was \$135,000 for architect work. We came and gave \$250,000 so that freed up \$135,000 cash. Does that come back to the City side or the School side?

Mr. Clougherty replied it is the School side because they have the bottom line as he just explained.

Alderman Lopez asked so if it is a bottom line we gave the bottom line to the School so is the argument that they want to take that \$135,000 because we allocated it someplace else and they can spend that money.

Mr. Clougherty answered you give them a bottom line budget and they have the responsibility to manage that money and to spend it as the School Board. It is a bottom line. If they decide that they want to use what you gave them for SCIP to meet some of the other problems they have, that is within their jurisdiction.

Alderman Lopez replied that is the point. So your argument is you want to take that \$135,000 and move it around and that leaves you about \$293,000 to do some maintenance right?

School Committee Member Donovan responded that is correct, Alderman.

Alderman Lopez stated I guess the question was is there some idea of how much maintenance you can do with this other problem that you have with the \$244,000. You might not do anything if the auditor is correct. I am a little confused. If we turn around and say in the end depending on what the Mayor's decision or the lawyer's decision is depending on whoever is going to give us the decision you might get that money or approval for that money and it is just going to sit there until the end of the year to find out where you are at I don't know how you can even go and do maintenance because if you are \$244,000 short...

Mayor Baines interjected you can't.

School Committee Member Donovan stated on the \$244,000 I think we want to make a decision on that relatively soon. We have to work this around. We have to

talk to the Mayor's Office and the Finance Office and Mr. Chapman mentioned that he wants to look at it some more so we would know relatively soon whether we are stuck with that as a liability as Mr. Plodzik called it. If we are, then we have to pay it.

Alderman Lopez asked if you decide as a Board to go ahead and spend that money on maintenance as it was included and the auditor was correct and the Finance Director was correct on the \$244,000 then you would have to cut as you indicated in certain other places to make up that money.

School Committee Member Donovan answered that is right.

Alderman Lopez stated I think most of the Aldermen and I am not speaking for any of them but why wouldn't you do the maintenance now on some of the things that you know you already have the money for when you know you are going to put your brains to work and get money from someplace else.

Alderman Smith stated I would like to go back to the McLaughlin School and tell Kevin that it came out of our Committee and we did transfer \$250,000 and then it went to the full Board of Mayor and Aldermen. I thought the money was going to be used, because there was some debate from Mr. Gatsas and myself, to jump-start the Mayor's eight-year program with Frank Thomas. Am I correct?

Mayor Baines replied that is correct.

Alderman Wihby asked so is it or isn't it used for that purpose.

Mayor Baines answered I think it is a combination.

Alderman Gatsas asked Mr. Plodzik do you have a sheet like this in front of you. Can we just do an assumption real quick for me? If we go to the adopted and I am only looking at the bottom line, the adopted general fund total, and we see a number there of \$111,682,207, if we go up to the maintenance projects, which is \$964,000 and I subtract that from the \$111 million, will you trust my math, there is \$110,718,207. If I then proceed to the balance remaining and I go to that same maintenance projects line where it says it has \$428,607 and I subtract that from the remaining balance, which actually shows that you are in the surplus of \$37,565. If I deduct that from there because I deducted the gross amount from the first line, it shows me a deficit of \$391,042. So I am back to Alderman Thibault's original question. If the total amount for the SCIP funds wasn't given to the School District as a line item, which I was in opposition to because I said once you give it to them we can't differentiate where it goes, would you agree with me that they would be in a deficit spending position of \$391,000?

Mr. Plodzik replied it appears that way; yes.

Alderman Gatsas asked so your answer is yes to that question. So back to Alderman Thibault's question when he asked about us appropriating the money for work and it was moved to other line items and if we deduct those balances we would be in a deficit. That was the question he asked.

Mr. Plodzik stated the observation is being made that if they didn't have that money they wouldn't have spent it or transferred it to other lines obviously. They would have spent that much less I guess.

Alderman Gatsas replied that is not the observation because the observation is they still haven't spent \$428,000 of that money so if they hadn't spent it and they still have it then they should have a surplus of the \$37,000 plus \$428,000. That should be the observation. Am I observing that correctly?

Mr. Plodzik responded it appears that way.

Alderman Gatsas stated but they still have it and haven't used it and if I subtract it out it is a \$391,000 shortfall so they are in the deficit now. Do you have this other pretty sheet with all of the colors on it?

School Committee Member Donovan stated if I can comment on that, it is not as if we were spending the money to go to Aruba. The money was being spent on mandated benefit costs, mandated student services and other items like that...contractual salary obligations up to a total of \$1.3 million. That is what we were spending the money on.

Mayor Baines stated I want to clarify something. Just for the history here on this \$1 million, last year when I came in with my budget I purposely initially took it out of the budget as a chargeback because every year prior to that it had been part of the School District budget. This was not unique, what we did last year at the end. We basically went back to what the Board had been doing with that \$1 million every year that the previous administration had put it in and it had always been a chargeback. My attempt last year was for it not to be a chargeback so it could be separate and it could have been totally appropriated to the Building Maintenance Division. That would have been the first time in the history of that \$1 million that that would have occurred. What happened this year is exactly the same thing that happened in previous years. In fact, in the previous year the same thing happened. The total amount was not spent because of some overruns in some other line items that had to be made up with it. I just want that to be shown for the record.

Alderman Gatsas stated Mr. Donovan it is very obvious to me that you couldn't have been to Aruba because you don't really have a tan. Mr. Plodzik, I don't know where he has been.

Mr. Plodzik replied South Carolina.

Alderman Gatsas stated let's stay on this sheet because I have a couple of other questions. If we can go down to where it says City Services, that is probably five or six lines up from the bottom. We see an adopted number of \$6,979,440. The total spent to date is \$3,470,068. I understand there is an additional \$1.2 million that is still owed to the City for the end of March in billing that has not been paid. I am not worried about when you pay your bills for this analysis. If I took that \$1.2 million and added it to the \$3.4 million I am going to come up with \$4,678,068 for a total. If I divide that by 9 and multiply it by 12 to get an annualized number my annualized number comes out to \$6,237,424. So the encumbered amount and the reason why it brings my attention to this line is that every other line in the remaining balances you have either pluses or negatives. In that line the number is zero. So I find it almost impossible to believe that you can carry that line to a zero with \$6 million or \$6.9 million in that line item. Is that just an anomaly? Mr. Plodzik would you...

Mr. Plodzik interjected I didn't do the report, Sir, but I would suggest that the projected expenses are probably fairly accurate. I will let Mr. Chapman respond.

Mr. Chapman stated the issue is basically those all come in from the City departments and at that point in time on March 21 everybody was still projecting that they would be on budget as far as their spending, which means that we would have to assume that they are going to bill us the full amount of money that we had budgeted, which is \$6.9 million.

Alderman Gatsas responded right but what I have done is I have even taken from March 21 and increased your spending by another \$1.2 million to give you every advantage I could give you.

Mr. Chapman replied all I can do in that case is talk with the City departments like Highway, Parks & Recreation, Police and Health and we will have approximately \$3,509,000 since March to pay to those departments.

Alderman Gatsas stated let's go back again for one second to the \$244,000 that the accountant believes is owed.

Mr. Plodzik replied don't but those words into my mouth. I said that if it is determined that the School District has a liability to the City and by the way I think it is a very poor procedure to do those refinancings and not advise the School Department that they should be budgeting for those amounts and then hit them with \$250,000...

Alderman Gatsas interjected you heard it was refinancing but that is not the statement. It is not refinancing. Kevin, could you maybe help Mr. Plodzik on what it was?

Mr. Clougherty stated last year when we were considering the budget with the market the way it was the City was talking about going into the market and issuing some debt for capital improvements. The Board asked if we could reduce the amount of money available for that by perhaps putting that off until the second part of the year so there would be no payment and we said to the best of our ability we will do that. So, our side got reduced a little bit and we went forward. After September 11 as you know there was an effect in the market. We were able to go in and execute a pension obligation bond that had been authorized previously. We were able to do a refunding and at that time we also did the capital improvements for about \$10 million worth of new projects for the schools. Most of that increase is new projects. We moved it forward and what they had to do was instead of being able to structure it so there was no payment we ended up with everybody having to make one interest payment. Now there is some give and take as a result of refinancing but the main increase is a result of new projects that were capitalized.

Mr. Plodzik stated it wasn't part of the budgetary process for the School in the 2001-2002 fiscal year, correct.

Mr. Clougherty answered no. When we talked about that as part of the budget process we had talked about debt and where we were going with this and as I said we tried to push things off but it didn't work out that way. I wanted to take advantage of the market.

Mr. Plodzik replied but in the meantime the School is hit with a \$244,000, you are saying liability to them that they did not have budgeted.

Mr. Clougherty responded it is about \$222,000.

Mr. Plodzik stated I guess my suggestion to the School at that time would have been to come in for a deficit appropriation immediately. Instead of doing that they have attempted to absorb that in their budget. That is what they are going to maybe attempt to do. That is the only answer I can give you. I don't know

beyond that. I am going to suggest to you again to respond to you if it is determined that it is a liability it will have to be booked and I don't know if that determination has been made.

Mayor Baines stated we are looking at whether that determination has to be made and I am not sure who ultimately makes that decision. Would that decision be in the hands of the full Board?

Mr. Clougherty replied it is going to be a process of review by their auditor and their financial people and our staff but clearly the debt is there. I am sure what the auditor is going to want to see is what is the debt for and we are going to give them all of those projects and show them all of the resolutions and all of that but he can't make a determination on that tonight. We are going to have to work that through.

Alderman Gatsas stated Mr. Donovan when you were explaining where the negatives were you gave us a number of \$364,897 for salaries. You gave us a number of \$732,579 for employee benefits and then you gave a number, which I wasn't able to write down quick enough for transportation.

School Committee Member Donovan replied it was \$238,521.

Alderman Gatsas asked from what line, regular or student.

School Committee Member Donovan answered now we are getting back to the issue of our amended line items. It is student service transportation, line 0513 and what you see on the March 21 statement is we have boosted up that line item already by that \$238,000 number because we knew in January that we were running a deficit in that line item so we made a line item change. There should be a separate line here on this report and that is something that I would like to change at the Finance Committee that shows original adopted budget and amended adopted budget but it doesn't show here.

Alderman Gatsas asked but the excess that you are telling me is based on this report that I am looking at. Just give me the number again slowly please.

School Committee Member Donovan replied \$238,521 and you really have to add something to that because if you go to the right hand column of 0513 you will see another negative of \$13,819 so you could even add that to it.

Alderman Gatsas responded so from the report that you gave us on March 21 you showed it here with a negative \$13,189...

School Committee Member Donovan interjected after having amended the budget to accommodate an over expenditure of \$238,000, which we made in January.

Alderman Gatsas asked so that line really should read a negative \$252,340.

School Committee Member Donovan answered in comparison with the original budget, yes.

Alderman Gatsas stated so Mr. Plodzik can you follow through with me here. If I go down and based on the statement we have if I took that \$40,324 and I subtracted the \$238,521 from it, right now even without including giving them the SCIP money they would be in a deficit spending of \$198,197.

Mr. Plodzik replied no I don't follow your formula because what they said is if they added to that line item 0513, that student transportation, which they said they did they took it out of another line item thereby either reducing the remaining balance or increasing it...well obviously reducing the remaining balance. To add it to one line item they had to take it out of another so the total bottom line budget did not change.

Alderman Gatsas responded can I ask what line item that large amount could have been taken out of.

School Committee Member Donovan replied we took it out of two line items, regular transportation, line item 0510 and electricity, line item 0622.

Alderman Gatsas asked how much was taken out of line item 0510.

School Committee Member Donovan answered \$165,000.

Alderman Gatsas asked and how much was taken out of electricity.

School Committee Member Donovan answered \$73,521.

Alderman Gatsas stated so the \$46,590 that you show for line 0510 is the correct amount.

School Committee Member Donovan replied in comparison with the original budget we would be running a surplus in that account of \$46,590 plus \$165,000.

Alderman Gatsas asked and you would be running a surplus on the electricity account by about \$32,000.

School Committee Member Donovan answered right.

Alderman Gatsas asked do you have the other sheet that is yellow, pink and blue Mr. Plodzik.

Mr. Plodzik answered collectively we have it.

Alderman Gatsas asked do you see the labeled top amounts. If you...the School revised budget of \$531...well let's start from the beginning. On January 29 the original school budget showed total revenues of \$114,907,862. That was the total. If you look four months later, the revised budget from the School is \$114,844,157.

Mr. Plodzik answered correct.

Alderman Gatsas stated in October the School MS form from DRA...now basically some four and a half months there was a difference of roughly \$1 million or \$960,000 from those two numbers.

Mr. Plodzik replied correct but they had increased from \$114 million to \$115 million.

Alderman Gatsas asked do you see where most of the increase is.

Mr. Plodzik answered I can see parts of it, Medicaid and tuition.

Alderman Gatsas replied right but also the local tax. If you look at that line, there is about a \$300,000 increase or almost 1/3 of it.

Mr. Plodzik asked from what figure; from the original or the Mayor's budget or...

Alderman Gatsas interjected from their number of four months before that it is almost \$1 million+ off. Do you see it?

Mr. Plodzik answered yes. You skipped two columns and that is why I was confused.

Alderman Gatsas stated I can only look at the columns that the School Department can only say yes or no to and not anything that the Mayor or the Board did. I am saying that the revised school budget had a number in there of \$25,934,000 for the local tax and that number moved from \$1.4 million in a four-month period.

Mr. Plodzik responded yes.

Alderman Gatsas asked is that additional revenue from the school side or from the local tax side.

Mr. Plodzik answered they are one in the same to me. When you say local tax and school if you are saying from the property tax for school purposes I would say that would be the case.

Alderman Gatsas asked so we increased the tax rate to the taxpayers of the City of Manchester to make that up. That is where that additional revenue comes from.

Mr. Plodzik answered I guess I am trying to figure out what point you are trying to make as I look at these revenues because I am trying to compare the grand total of school non-property tax revenues from when they began in the original school budget where it was \$60,702,000. I am looking at that figure and I take it all the way over to what you are looking at and there is a difference of less than \$700,000. I haven't analyzed it but it looks like the grand total of school non-property tax revenues were reduced at that point by \$700,000 only. Now I don't know what transpired from that point to make it go to \$1.4 million in local. I can't tell you.

Alderman Gatsas replied thank you for the help. So if we look at the grand total of...I knew I would get you to that line for me because I didn't understand it either but you helped me out.

Mr. Plodzik responded I am not saying that I still understand it you understand.

Alderman Gatsas stated well let's go up to your line, the \$60 million line. In January the School Board projected \$60,700,000 in revenues. Is that correct?

Mr. Plodzik replied yes.

Alderman Gatsas stated we have no control over what they project to us. The Mayor's budget came in some \$500,000 over that.

Mr. Plodzik replied correct.

Alderman Gatsas stated the school budget then came in with \$60,462,000. They have decreased their number by \$300,000.

Mr. Plodzik replied I would say \$800,000.

Alderman Gatsas responded no from the \$60,700,000 it is about \$300,000 or \$250,000.

Mr. Plodzik stated from the Mayor's proposed budget it was \$800,000.

Alderman Gatsas stated but I don't want to deal with the Mayor's. I only want to deal with their numbers because those are the ones they are looking at.

Mr. Plodzik replied that is correct. They decreased their estimate by \$300,000.

Alderman Gatsas stated if we now go to the school's MS form for DRA they have even decreased their number an additional \$400,000 for a total of \$700,000 from their original number.

Mr. Plodzik replied correct.

Alderman Gatsas asked now wouldn't you say to me that four months into the budget cycle that they would have a little bit better of an idea in revenues than they would in January when they haven't seen a nickel come in the door yet.

Mr. Plodzik answered not necessarily. If you look at the revised, go over one column more and don't stop there because when it went to DRA there was a further adjustment that went back and increased it beyond \$300,000. So when you finally set your tax rate it ended up being \$60,319,000, which was only off from the January figure of \$400,000 or the estimate. That is all it was off, which to me was miniscule.

Alderman Gatsas stated but that is less and that is what we are looking...

Mr. Plodzik interjected if you are asking me is that reasonable, my response is yes.

Alderman Gatsas asked wouldn't you find that absolutely enlightening that the number that we are looking at is about \$480,000.

Mr. Plodzik answered I don't think it has anything to do with the number we are looking at personally, no. I think the \$400,000 is extremely reasonable. To say that you had projected in January...you are dealing with \$60 million, not \$6 million. If you were talking about \$6 million I would agree with you saying that \$400,000 is too far off. I think that is right within the ballpark quite frankly. If it was \$1 million I would say it was.

Alderman Gatsas stated other than the taxpayers paid for it twice.

Mr. Plodzik asked paid for it twice. Paid for what twice?

Alderman Gatsas answered because the DRA number was a reduced number we had to increase the local property tax to make up for that revenue.

Mr. Plodzik replied DRA made that decision and they can make that decision.

Alderman Gatsas stated well they can only make it based on the revenues that come in on an MS form.

Mr. Plodzik replied you are absolutely right but they can change those revenues any time they want.

Alderman Gatsas asked who can.

Mr. Plodzik answered DRA, the Commissioner of Revenue Administration has the right to change those revenues when he sets the tax rate. He has not only the right but the responsibility if they are incorrect.

Mayor Baines asked on what basis those would the DRA change...

Mr. Plodzik interjected there may be errors in submitting the reports. I have seen that happen where there were legitimate errors in estimates and someone brought it to their attention. That has happened before. The Commissioner can change the revenues. He can't change the gross appropriations if they are legal appropriations, but he has the responsibility to change the estimated revenues.

Mayor Baines stated but also to be fair the response...can the School District change revenues or deflate them the Aldermen can do the same thing. They can deflate or inflate as well and there has to be some kind of trust here at some point.

Alderman Shea stated listening to all of this I feel like I am at a Senatorial hearing or something in Washington with all of the figures being bantered around. It is very educational but I get lost in the shuffle sometimes here. I am just interested in a couple of little minor items and maybe Mr. Chapman can help me. Many of my constituents have children who attend Memorial High School. They want to graduate at the Verizon Wireless Arena. It costs \$6,000 or \$7,000 more. Can they be assured that the children can graduate somehow from there by giving them a little extra money? Is the answer yes or no?

Vice-Chairman Stewart stated I think I have the answer to that. Last evening at the Board of School Committee we had a unanimous vote to freeze all but essential expenses. Having said that, we certainly understand that students and their families would like to graduate at the Verizon Wireless Arena. There are some options before us. One is to say that is not an essential expense. Another

way of looking at that might be to say look elsewhere for some funding and the Mayor and I had a conversation about this very item earlier today, be it a user fee, a fee to families or an appropriation that perhaps comes from this Board. It is an additional expense to us. There is no doubt about it. We want students to have the nicest graduation possible.

Alderman Shea asked yes or no.

Vice-Chairman Stewart replied I can't answer that question right now. I am telling you the action we have taken. It was a unanimous vote of our Board, Sir. We are not trying to create problems. We are being as fiscally prudent as we possibly can and we are right now not going to commit to any non-essential expenses. We made a unanimous vote of our Board last night. Another way to look at it is we could explore...there are student reserve funds in the high schools. This action only occurred last evening. We are very aware of the fact that we want to have a very good graduation for students and we are going to look into...School Committee Member Donovan just wrote me a note in fact that we are going to look into other ways to appropriate those funds and try to find a way to do it. I can't tell you that they will come out of the general fund of the School Department right at this moment. I am not going to sit here and lie to you. That is the action that we took.

Mayor Baines stated as School Committeewoman Stewart just said, the Board is committed to not going into a deficit. Secondly, another point of history is that every year that I was the principal at West High School and we wanted to have our graduation at Veteran's Park and a lot of people don't know this but the City and School District did not pay for that. The students had to pay. Every year that I was at West High School the students paid approximately \$3,400 or \$3,500 because the School District would not pay for West High School to go to Veteran's Park. The students liked the park. It was a nicer venue. They voted on it every year. The School District always said we will provide you a graduation at JFK or Gill Stadium. We can keep the costs down and we don't have to rent the chairs but the students at West High School paid every single year to have their graduation at the park. I never agreed with it, but we had to do it.

Alderman Shea asked if we were to give \$15,000 from some supplemental fund here you people would say well now this probably isn't an essential type of exercise...in other words athletics needs \$9,000 and to graduate at Verizon you need \$6,000 so basically what you would say is unfortunately you have given us \$15,000 more but we really didn't think these two items were essential so we are going to use it for whatever. Is that a legitimate kind of statement?

Vice-Chairman Stewart answered I think what we can answer to you is if that were a Resolution for a specific purpose, that specific purpose would be honored.

Alderman Shea asked so if this Board decides to appropriate \$15,000 out of a supplemental amount of money then...is there a motion that I can bring up here.

Mayor Baines stated we haven't followed the mechanics of the Charter right now. We can't do it. We don't have any authorization to do it.

Alderman Shea asked we don't have authorization.

Mayor Baines stated unless the Finance Officer verifies and the Mayor certifies and I can't certify unless he verifies. You can't do anything.

Alderman Shea asked could we, your Honor, because...and there is a lot of anxiety really in the community so could we take \$15,000 out of civic contributions or contingency and devote it to that purpose. Could we do that? Kevin could we do that?

Mr. Clougherty answered one of the difficulties that we have, Alderman, is when you have separate Resolutions to move money between one and the other causes problems underneath the Charter. Can I look at that and get back to you soon?

Alderman Shea asked is there any type of non-departmental appropriation that we have in the City that we could appropriate \$15,000 to take care of \$9,000 for athletics and \$6,000 for the graduation.

Mr. Clougherty answered I can't tell you that tonight because of the questions that we have before DRA but I will go back and research it.

Mayor Baines stated we had a conversation about this today because I feel, as you do, and if you use the reality of what I just said to you, if the senior class at all three schools came to us and said we would like the money to support our classes to have the graduation at Verizon Wireless I hope that we could look at civic contributions to fund that. I would hope we could but that is the type of thing that we want to look at. The question that Kevin has is a legitimate concern about us taking money out of contingency and giving it to the School District. I suppose if they were a department we wouldn't have any problems with that. That is the issue that we are looking at. I would certainly support that if we could.

Vice-Chairman Stewart replied not to be facetious but what if the bill could be sent directly for that purpose here as opposed to the School District.

Mayor Baines responded we are looking at that and as I said we had a conversation today and we are exploring that and I would support that if we can do it.

Alderman Shea asked what is the problem then. I will make that motion then.

Mayor Baines answered we are in the Committee on Finance right now. Deputy Solicitor, if the Committee on Finance took a vote to...could they take a vote to recommend to the full Board that money be taken from civic contributions to defer the expense for graduations at the Verizon Wireless Arena would you have any problem with that?

Deputy Solicitor Arnold answered again we would need to look at that. My initial gut reaction is if were considered a City expense as opposed to a School expense, yes you might be able to do that.

Alderman Gatsas stated I don't think that is all that Alderman Shea was looking for. I think he was looking for some money for athletics also.

Mayor Baines replied no he was talking about...

Alderman Shea interjected both but if one is in conflict with the other my main purpose is settling one situation here and trying to hit the ball so we can get another appropriation.

Mayor Baines asked if we passed that it would go to the full Board anyway and it would have to be moved to do it pending review by the City Solicitor's Office and it would come up at the next Board meeting but at least we could get it out...do you want to move that.

Alderman Shea replied yes and moved to expend \$6,000 from civic contributions to pay for high school graduations to be held at the Verizon Wireless Arena.

Alderman Gatsas asked would you accept an amendment to your motion.

Mayor Baines stated I would remind you that statements should be directed to the Chair. The Chair will accept the motion by Alderman Shea.

Alderman Wihby duly seconded the motion.

Alderman Smith stated there is no reason why we can't go to the Verizon Wireless Arena. We expect the best of our kids and we should do the best we can for our students. My suggestion is...we own the building don't we?

Mayor Baines replied yes.

Alderman Smith stated then I can't see why they can't get together with us for public relations and at least help us out with this procedure. I am all for the graduations being held at the Verizon Wireless Arena. I don't think there is anybody who doubts that right now but I think we should negotiate or try and find out some avenue with the people down there since we own the building.

Mayor Baines replied and we have and basically as I understand it all they are charging us for are their expenses to open it. They have people that they need to pay to open it so that is basically all they are charging us for – their expenses. They are basically saying you can have it, it is a civic event and we don't have any charges for you but somebody has to pay the bills.

Alderman Smith asked how much.

Mayor Baines answered \$4,000 for each graduation.

Alderman Wihby stated isn't it \$6,000 total.

Mayor Baines replied no isn't it \$12,000. Yes, that is right. So the motion would include the sum of \$12,000 to pay for the graduations.

Alderman Shea responded I don't think so because the School Department appropriated \$16,000 so...well actually a lot of expenses are deducted as Assistant Superintendent Adamakos mentioned. There are expenses involved when you go to JFK or to Gill Stadium so basically it is adding from \$16,000 to \$22,000 I believe but they need \$6,000. It is kind of ironic that we were talking about millions of dollars and now we are talking about nickels and dimes.

Assistant Superintendent Adamakos stated we appropriate a sum of money for graduations like \$16,000 or so. That includes the diplomas and all of the expenses to do our thing. In there is \$5,000 for the sound system and the Verizon people said we are just going to use their sound system. There is also some ancillary printing costs that we can save because now we don't have to worry about the size of the crowd. We would only have reserved tickets and we wouldn't have to print the entire amount of general admission tickets so there is a little bit of savings there. So we have come to the number of about \$6,000 that we have to find to use the Verizon Wireless Arena. Now I have to pause right here because I am an education guy, not the finance guy. Am I correct in what I am saying so far, Mr. Chapman?

Mr. Chapman replied yes.

Assistant Superintendent Adamakos stated to use the Verizon Wireless Arena it is \$4,000 a day plus expenses and those expenses could be enormous but they have cut out the expense portion and are only charging us the base rate of \$4,000 per day that we use the arena. Now that pays for the personnel to open it up because you just can't walk in and use a key. There are a lot of people that it takes to run that arena so we are paying that \$4,000 figure but we are not being charged any additional expenses. That includes the sound system, the lights, everything it takes to run the operation.

Mayor Baines asked what do you need, \$6,000 for graduation.

Assistant Superintendent Adamakos answered \$6,000 if the difference between what we have appropriated for graduations and what it will take to make it happen.

Mayor Baines asked, Alderman Shea, so your motion would be for \$18,000.

Alderman Shea answered no \$6,000 total.

Alderman Wihby stated if you look at the sheet they gave us, they had put in \$16,900 and they are calculating \$22,900 anyway so they have added the \$6,000 for graduation already to get to the \$40,000 surplus number. To say that we can't go ahead with the graduations because the Aldermen haven't give us the number...they have already included it and still have a surplus of \$40,000. Why are they looking for an additional appropriation of \$6,000 if they have already included it?

Mr. Chapman replied things changed as the Mayor knows last night when they put a freeze on this because of the \$244,000. As both yourself and Alderman Gatsas pointed out, if I have to come up with the \$244,000 I am already in the red so whatever the Board of Mayor and Aldermen would like to use for a number to pay for the graduation at Verizon would significantly help us because it would mean that I don't have to spend that \$6,000 and it would relieve whatever number...for example if you chose to pay the \$12,000 that would help our situation a little bit.

Mayor Baines stated \$6,000.

Mr. Chapman replied I am just saying whatever number the Aldermen chose to give us.

Alderman Lopez stated it is \$6,000, which I totally support. It is out of contingency and it is for the students. I call for a vote on the motion.

Mayor Baines asked the motion is to what.

Alderman Lopez stated let's move the question.

Alderman Gatsas asked where is my amendment.

Mayor Baines stated let's take a motion on the question.

Alderman Gatsas asked can I make the amendment first. Alderman Shea would you allow me to make an amendment. Can you let me make the amendment?

Alderman Shea answered yes. I will withdraw my motion.

Alderman Gatsas stated I would like to make the amendment because from what I understand it is \$6,000 for graduation and \$9,000 for spring sports so that is a total of \$15,000. Now let me just make my amendment. If we pay for the three graduations at \$12,000 I would expect that the School Board would relinquish the other \$3,000 for the sports.

Mayor Baines stated in other words Alderman Gatsas is suggesting that if we pick up out of civic contributions the \$12,000 for the graduations at Verizon and again we can't speak for the whole Board because the Board has to vote but the question is would the Board agree to release that money for spring sports.

Alderman Gatsas stated the reason I am going there is because Alderman Shea was looking for \$15,000 - \$6,000 for graduation and \$9,000 for spring sports. I agree with that. If the City is willing to pick up \$12,000 of the \$15,000 I would think that the School Board for the consideration of the graduating students and the student athletes that are playing spring sports, they would unfreeze \$3,000. My feeling is, your Honor, that it should be an entirety and not just the School Board or the Aldermen participating. If we are going to participate at some 80% of this I would assume that the School Board would find a participation level of \$3,000.

School Committee Member Donovan stated if you throw in the \$244,000 as not being due this year, you have a deal.

Alderman Gatsas replied I can't get you a suntan in Aruba even with \$244,000.

Alderman Wihby asked was the motion for \$6,000 or \$15,000.

Alderman Gatsas answered my motion is that the Board of Mayor and Aldermen pick up the \$12,000 for the three high schools for graduation and we would be billed directly and we would pay that out of civic contributions and the School Board would pick up the expense for the student athletes for spring sports.

Mayor Baines responded I don't think in looking at that that we can do that because we don't have any commitment to do that. How much do we have in civic contributions?

Mr. Clougherty replied the balance in civic contributions, if legally we can get there, is \$6,900.

Alderman Gatsas asked what about contingency.

Mr. Clougherty answered contingency is about \$500,000 and we have some of that earmarked for Welfare.

Mayor Baines stated I would suggest...at this point in time obviously I haven't accepted that amendment and we don't have anything on the floor right now but I think the issue of assuring the students and the parents is more important than this little poker game that is going on here and I would suggest...

Alderman Gatsas interjected I think that is unfair.

Mayor Baines stated excuse me I have the floor now and I will recognize you.

Alderman Wihby asked are you debating the issue, your Honor.

Mayor Baines answered no there is nothing on the floor. Just so you understand, in Finance the Chair can speak as a member of the Committee on Finance. It is not the same. I would suggest that we go ahead and try to support this so we get it off the minds of the kids because we can't settle that other part of it.

Alderman Lopez stated I will move the motion.

Alderman Gatsas asked what motion are we moving the amended one or not.

Mayor Baines answered the \$6,000.

Alderman Lopez moved to expend \$6,000 from civic contributions towards payment of the high school graduations to be held at the Verizon Wireless Arena subject to the review and approval of the City Solicitor. Alderman Shea duly seconded the motion.

Alderman Shea requested a roll call vote.

Alderman Gatsas asked did you close discussion, your Honor. I think this Board is making a mistake. I think we are making a big mistake because we have the ability right now to send a clear message. I think there are eight School Board members out there and I would assume that just by looking at their faces that they don't want to prolong the agony of the student athletes. Now if we as a Board are willing to pick up the \$12,000 and there is \$3,000 remaining out of the \$15,000 I would assume that just by some nods of the head that this Board would accept that.

Mayor Baines answered I am not sure they would. You are not getting a response. We have a motion on the floor and it has been seconded. I am going to call for a vote. Roll call starting with Alderman Gatsas.

Alderman Guinta asked could you please repeat the motion.

Deputy Clerk Piecuch answered the motion on the floor is to transfer \$6,000 from civic contributions subject to the review and approval of the City Solicitor for the graduations.

Aldermen Gatsas, Guinta, Sysyn, Osborne, Pinard, Lopez, Shea, DeVries, Garrity, Smith, Thibault, Forest and Wihby voted yea. Alderman O'Neil abstained. The motion carried.

Alderman Gatsas moved to pay \$12,000 towards graduation for the three high schools...well my motion is \$6,000 for graduation and \$6,000 for the spring sports that have not been looked at.

Mayor Baines asked, Deputy Solicitor Arnold what is your ruling on that.

Deputy Solicitor Arnold answered again I would have to research it but that sounds more in the nature of a supplemental appropriation, which requires the process of certification of excess revenues.

Alderman Gatsas asked why can't we just take it out of contingency.

Deputy Solicitor Arnold stated again I would have to research it but it sounds as if the motion is to send additional revenues to the School District for use in their athletic program and that sounds more in the nature of a supplemental appropriation than the City paying for graduation, which was the last vote.

Mayor Baines replied with that the Chair will not accept the motion and would ask the City Solicitor to research that. Again, we are just in the Committee on Finance tonight. We are not making a decision tonight.

Alderman Gatsas stated I will amend the motion to pay \$12,000 for school graduations. Alderman Guinta duly seconded the motion.

Alderman Wihby asked why is it any different if you had a motion for \$6,000 out of contingency to fund schools then \$6,000 to fund graduation.

Mayor Baines answered the Solicitor just said that he felt it was clearer on the other side.

Mr. Clougherty stated as we have said at the start of this discussion we are not sure that legally you can transfer those dollars. Certainly I respect the Board's intentions and what they want to do but when we get to the full Board if we have done some research that says you cannot do those transfers we are going to have to inform you of that.

Alderman Wihby asked so if everybody is for it why can't we just do the motion and let them rule next time.

Alderman Gatsas stated we have spring sports and waiting two more weeks is a big delay for them.

Mayor Baines stated I need some additional counseling from the Solicitor. That motion that he has right now doesn't really deal with that.

Alderman Gatsas stated I would hope that they would deal with it on the other end.

Vice-Chairman Stewart stated I asked the question earlier and I am not sure we got an answer but why would it not be possible for the bill for Verizon, the \$4,000 for each day, to be sent directly downtown. Then that would take away the issue of School expense versus City expense. It would now be a City expense to pay for that.

Alderman Gatsas replied I agree. The reason why I tried to make that motion was to get Alderman Shea the other \$9,000 for spring sports that he was talking about.

Alderman Shea stated I believe a point of clarification is needed, Kevin. We took that \$6,000 out of civic contributions rather than contingency. Now I am not sure but I believe you said there was \$6,900 left.

Mr. Clougherty replied that is right, Alderman.

Alderman Shea asked as far as athletics are concerned, I think that we could always try to work with the School Board...I mean it is better to get like I said before a bird in the hand is better then two in the bush. The point is if we keep bantering around this we are going to talk forever about athletics and everything else and...

Mayor Baines interjected we still haven't heard the budget presentation yet.

Alderman Smith stated Mr. Donovan said that he couldn't give any recourse into this and he additional \$3,000 so I think the question is mute. I think we should just set it aside and pick it up at another date.

Alderman O'Neil stated I know I had to step out for a few minutes and came back but in just picking up the little bit I did on this if we did what the Vice-Chairman of the School Committee suggested wouldn't that meet the objective of where Alderman Gatsas was going.

Mayor Baines replied what we are going to do is by the time we get this to the full Board we will have researched that and we actually may come back with a recommendation to the Board that we do that.

Alderman O'Neil asked but what is going to happen to...I understand there is a need of approximately \$9,000 for sports. What happens in waiting? Is something not going to get done by waiting or are we all going to tonight say we agree to this and it is giving the School Board some direction.

Mayor Baines replied again this is the Committee of Finance and we can take up both of these issues at the next full Board meeting. We can't do anything with it tonight anyway. It would just be a report of the Committee on Finance.

Alderman DeVries stated I have one additional question on the supplemental. About five weeks ago I circulated a letter addressing school capacity issues in the South end of Manchester. I understand that shortly thereafter part of the architectural design fees or study funds would address that issue. I would like to know if it is within the transfer...the \$135,000. Was that study part of that?

Vice-Chairman Stewart replied I think the Business Administrator can best answer that question.

Mr. Chapman stated I don't believe at the time of the transfer that the Highland Goffs Falls issue had been raised by the City Highway group when they brought

that motion forward. I believe if you research the minutes of the meeting where that \$250,000 was moved that Highland Goffs Falls was not mentioned.

Alderman DeVries asked so you are telling me that the South Manchester capacity issue is not going to be studied or has not been funded at this time.

Mr. Chapman answered my assumption is that as part of the Mayor's overall design-build factor it will be taken into consideration with that but it was not necessarily part of the \$250,000 set aside. The projects that we are working on now for the design-build, I believe that will be taken up and investigated at that point.

Alderman DeVries asked Mr. Chapman are you telling me that if it going to be funded it is going to be funded by the Highway Department.

Mr. Chapman answered no it will be funded through the School District with the major renovations and additions. I think that is where it will come up for investigation.

School Committee Member Donovan stated before you recess we want to say thank you. We appreciate the vote on the Verizon Arena on behalf of the high school seniors at our three high schools. We are still asking for the \$400,000 and it is only because of the \$1.3 million of unbudgeted expenditures that we talked about tonight that we are faced with that situation. I thank you for that \$6,000 recommendation but we have \$400,000 that we need.

Alderman Garrity stated as a former School Board member most of my calls were maintenance issues and that is why I brought this issue up about the maintenance dollars. I just want the public to know that the Board of Mayor and Aldermen did make an attempt to deal with the maintenance issues of the School District. When the complaints come to the Board of Mayor and Aldermen, they should send them right back to the School District because the money was allocated and it wasn't spent there.

Mayor Baines called for a five-minute recess.

Mayor Baines called the meeting back to order.

Mayor Baines stated I have been advised by the City Clerk that on the Resolution a motion would be in order to table that until the next meeting.

On motion of Alderman O'Neil, duly seconded by Alderman Pinard it was voted to amend the Resolution to \$400,000.

On motion of Alderman Shea, duly seconded by Alderman DeVries, it was voted to table the Resolution as amended.

Discussions with Manchester School District representatives relative to FY2003 budget requests as follows:

- a) School Food and Nutrition Services Program; and
- b) Manchester School District.

Vice-Chairman Stewart stated we are pleased to be here to present the Manchester School District proposed 2002-2003 budget. This is probably the fourth time that we have gone through this particular presentation. We have been making community presentations throughout the neighborhoods and we are very pleased to be able to present this to you. We are going to start with the improvements that we have been able to make. First, this past year we established a new teacher mentor program. With the number of new teachers that we have entering our School District who have never had the ability to teach in a classroom before we felt in using the Best Schools Practices that we would institute a teacher mentor program. In fact, it is considered by the State as one of the best. This has helped new teachers work through issues in the classroom and it has been a very good support system for them. With the help of Title VIB funds we have instituted smaller class sizes in kindergarten through Grade 3, helping with the early learning process. This past year we increased all library school collections on the elementary level. Over the past few years we have been able to adopt new curriculum and language arts K-6, health K-12, math K-8, technical education, family and consumer science K-6 and physical education K-5, with new textbook adoptions in many of those areas. We implemented the middle school concept and added McLaughlin School. Just about all of our elementary schools now have addressed the need that parents have expressed for after school care right on the school premises. Two years ago an initiative to look at the way we deal with elementary report cards culminated after a year long process of working with teachers and administrators. This new elementary report card process not only changed us from a quarterly marking system to a trimester system but allowed for much greater parent participation in the education process and a much greater dialogue between parents and teachers regarding the students educational process. We have increased the number of sports teams, particularly in the middle school. This past year we added a second basketball team on the girls and boys side. We have expanded safety programs in the schools, including now an officer as many of you know in all of our middle and high schools. We have continued with the responsive classroom model. Peer mediation now extends through elementary, middle and high school and we have emergency management programs in place in all of our schools.

School Committee Member Donovan stated in putting together our budget we really did not have that much room to maneuver and that is because the largest percentage of our budget, 79%, is in what we call negotiated and mandated expenses. Those are the subject of collective bargaining agreements, health insurance, etc. The next section is fixed costs, which are things like heat, lights and City services that we purchase from Parks & Recreation, Police, etc. So, the room that we have for new initiatives is only about 5% of our budget and that is where in tough times like you heard about earlier tonight we end up having to defer spending, that 5.1%. To show you an overview of the budget and you have loose-leaf books, as I understand it, that present the whole budget but we are going to present it to you tonight in a slightly different format. The numbers are presented differently but the bottom line is the same. This shows the total request of \$128 million and as you can see the two largest line items are salaries and employee benefits. Then the next two largest line items are debt service and City services or what are sometimes called chargebacks. That is basically where our spending is. We are asking for a very large increase of 15%, \$16.9 million but why do we feel it is so important? There are several reasons that we are going to go through tonight. The first is we are not dealing with a stagnant student population. Our enrollment continues to grow. As you can see over the past six years it has gone up every year an average of about 24 students. That is an average each year of about 12 classrooms and we have to accommodate that year after year. We can't just steady state a budget. We have to accommodate these increasing numbers of students.

Vice-Chairman Stewart stated to continue on why the requested increase is so important, last evening our Curriculum Instruction Committee heard an extensive 38 page presentation regarding President Bush's education plan. The No Child Left Behind Plan. This is something that we obviously didn't have time to add to our presentation today but I can tell you that the discussion that is going to ensue as we go along here is all related to the President's education plan that is now law and has a great impact for our City. I hope that all of you will entertain a presentation of that plan by Mary Vigue and the School District very shortly. Our NHEAP or the NH State test scores need improvement. All of you see in the *Union Leader* each year how our scores compare to those in other parts of the State. Our challenges are greater in Manchester. We have a very diverse population and we would like to add a reading specialist at every elementary school. We currently have seven and we would like seven more. This is one way that we can assure that we are going to have better test scores because children will read better and sooner. Secondly we would like to add a curriculum coordinator whose responsibility it would be to make sure that our curriculum instruction leads to improved test scores. Currently we have no curriculum coordination in the City compared to Nashua for example that has four of these

positions. However, having said that as I said earlier we have been able to do curriculum development in many areas because of the dedication of our staff. We would like to expand textbook spending. We are about to or just have accepted middle school science and social studies curriculum but we don't have books to go with that. The social studies books that are being used in our middle schools right now date back to the mid-1980's.

School Committee Member Donovan stated by the way the border of the screen is flashing because that means that the items on that page and any future page where you are seeing items flash we cannot fund any of those items if the Mayor's budget proposal is adopted.

Vice-Chairman Stewart stated next we need to satisfy accreditation standards. Currently, Central High School is going through an accreditation review. This happens once every 10 years. It is an extensive two to three year process. While all of our schools are currently accredited, upcoming reviews will not be successful unless our libraries receive new materials. We have not been able to make a substantial increase in any of our libraries in the middle and high school level since 1991. It is important for us to create a curriculum that works for the students in this century. Clearly employers need students and graduates that are trained in skills that are needed. We have a lot of prerequisites that we want to live with and prepare our students for. For the past several years the Board has tried to get middle school Spanish in our schools and unfortunately every year it has been one of the items that we have not been able to fund. We would like to plan for one middle school Spanish teacher in each middle school. School supplies. You heard this evening that one of the things we have had to freeze this year is supplies. We need to restock supplies. Our teachers are doing a great job but they do a better job when they have all the supplies they need to teach. We would like to add to school supplies and we would like to have a little bit on hand at all times. A couple of weeks ago we named Jim Schubert, who has run the PASS Program at the Manchester School of Technology for a number of years our Alternative Program Director. Keeping troubled students in school is one of our priorities. It has been one for several years. We have been able to enact some small programs around the City but it is time for us to have a coordinated program. By keeping troubled students in school we are going to affect the graduation rate and that is something we would like to do. We need to meet our special education and English as a Second Language obligations. Under Federal law this is mandated to us and with the Federal governments promise five years ago to fund 40%, we are up to about 16% right now, thus our gap and every year you hear us come and talk to you about the challenges we have in meeting special education costs and also budgeting for those costs. We need to add some teachers in that area and we have several students that must be educated outside the district because of their needs. Those same students, many of them require from their

individualized education plans, special transportation. This expense is extraordinarily high and as you heard this evening we went over in that budgeted item this year. It is one that has been very hard to manage and we need more money in that area. We need to help more students who are non-English speakers become part of our society and learn our language.

School Committee Member Donovan stated next we need to meet our contract obligations with staff. The major component of our staff is our teachers and the teachers will be entering the third year of their collective bargaining agreement. The way the current three-year agreement was structured, it was back end loaded so we have a 4.5% cost of living adjustment built in that we have to deal with. If you look at the number there, this year for the current complement of classroom teachers we have \$63.5 million, not including any new hires and not including the expense of health insurance or benefits. That amount will go up naturally by \$4.4 million to almost \$68 million. That is the largest single component of our budget and that is one of our negotiated and mandated requirements. We do obtain some salary savings when teachers retire and we have contemplated that in our budget of \$331,000. An additional requirement of the collective bargaining agreement is at the elementary school level. Those teachers negotiated a fourth day in which they have a period for preparation. That will require us to hire additional teachers at each school in order to cover that prep period and the decision has been made that those will be health teachers so there will be a health curriculum component. That means we have to hire 18 new elementary school teachers to meet that collective bargaining obligation and as you can see the salaries for that are \$654,000 plus benefits. We are talking over \$900,000. Then we have health insurance. We are using the City Human Resource Department's estimate of a 25% increase this year so that we will go from \$16.3 million up to \$20.8 million. Again, that is another negotiated mandated cost. Just for you to see what the staffing analysis looks like and it is hard to read but you have it in the packets in front of you. The largest single component is teachers and you can see we have talked about the new staffing down at the bottom for prep periods and other new staff, which are in the initiatives we have mentioned in the past few slides. The teachers who are in the top part of the slide are just the existing teachers we have today. The cost of City services. As you know, the School District purchases a number of its services from other departments. They include Parks & Recreation, Police, the Health Department provides our school nurses and those services come with a price increase and based on the numbers we have been given we are estimating an increase of \$625,000 so the cost will \$7.6 million next year for those services. Debt service is going up. You have heard about that already. Based upon what we know our debt service is going to go up by \$1 million next year to \$9.25 million. We received those figures from the Finance Department. Student transportation. That is provided to us by the Manchester Transit Authority. We need to negotiate a new contract with them and we don't know what that amount

will be but we have put in a number for an assumption. Also, as part of the settlement of the Declaratory Judgement action between the School District and the City we need to appropriate \$500,000 to reduce the deficit from past years and that is where you see that \$500,000 new item. Then in our budget we have \$500,000 for expendable trust funds. You will recall, I believe in March we had testimony from our auditor, Mr. Plodzik, recommending that we set-up at least two \$250,000 trust funds so that we don't have the same problem in future years relating to overages on the health insurance and special education accounts. That would be \$500,000. These are other major budget areas that don't have the same volume of increases in comparison with the ones you have looked at before. You notice we do have a budget in there for maintenance projects of \$1 million for next year. Up until now we have been speaking about the general fund budget. This year we are going to ask for two separate budget resolutions. One for our general fund and a second one for school food and nutrition. The School Food and Nutrition budget does not use any property tax dollars. It is funded, as you can see, through Federal and State money as well as lunch sales. The revenues equal the expenditures and actually the budget resolution that is proposed this year will be for a higher amount, \$4.75 million and the reason for that is so we don't have this problem of overexpending on the expense side even though we have revenues to cover it.

Vice-Chairman Stewart stated I would like to just take a moment to talk to you about some of the initiatives that were not included in this budget. Full day kindergarten in elementary schools. There has been a lot of research done about the importance of an early and strong educational start. With a diverse population such as Manchester has it is imperative that students begin to learn as soon as possible and we would like to establish full day kindergarten in all of our elementary schools. Currently we have that at three schools. Technology upgrades. Last evening once again the Curriculum Instruction Committee heard a presentation from the State Department of Education regarding our usage of technology. Manchester fairs very well in spite of the fact that we have not been able to do technology upgrades of any magnitude over the past three years and we are in the third of a five year what is called CELT Plan and have not been able to purchase the equipment for that plan. K-12 Health Curriculum. With the mandate for preparatory periods in the elementary level we will be enacting the elementary health curriculum, however, high school and middle school health curriculum is imperative if our students are to learn a number of issues that they need to make sure that they lead healthy lives. Assessment instruments. Also I want to talk about professional development funds. Two major components of the Bush plan. Students in grades 3-8 on a number of multi-level assessments will be tested each year. Currently, we only test students in grades 3, 6 and 10. Now those types of tests will be required in grades 3-8 each year and once again on a number of multiple levels. Finally, professional development funds. Another main

component of the plan requires in Title I schools for example that 10% of their funding go towards professional development. Our teachers need this background and need those development funds in order to be effective in the classroom.

School Committee Member Donovan stated now lets look briefly at the estimated revenue. First we have our State revenue sources, which we estimate will be flat between the current fiscal year and next fiscal year. We are going into the second year of a State budget so as I understand it our Adequate Education Grant would be fixed at the same level. There won't be any increase. The State property tax, or the so-called Claremont tax that is on our budget is collected locally and turned around and that is what the \$28 million is. Because it is a fixed amount we are assuming that it will stay the same. Under local revenue, tuition, that is high school tuition we receive from neighboring towns and we are projecting that it will go up somewhat. Impact fees. The number we have been given from the City is that we should expect less for the coming year. So, unfortunately this is a year in which our negotiated and mandated costs are going up by a good amount, State revenue is not going up because it is the second year of a biennium and that leaves one other source, the local portion of the School property tax. That is where the hole unfortunately gets plugged. We have not assumed in this whether or not there will be any increase in property valuation this year and that is something we know that you are dealing with on the City side. So the combination of the budget analysis from the general fund and the food service looks like that. I would like you to look for a moment at this graph because it shows the effort that taxpayers in Manchester have been making over the past 12 years per student towards children's education. Now this is based on constant 2001 dollars. In other words, it has been adjusted for inflation and what it shows is that roughly from 1989 through 1998 about \$4,500 was paid per student by Manchester taxpayers in constant dollars. After the Claremont decision was enacted, that number was reduced dramatically from about \$3,100 to \$3,200 and that includes both the local and the State property tax that is collected at the local level. As you recall, there was a property tax increase that went into effect in Manchester in 1999 and there was additional monies that were used from those savings to increase the City side of the budget. The property taxpayers in Manchester are not paying close to the same level per student as they were up to 1998. Now that is thanks to the effect of Claremont in Manchester but it also says something about where the effort has gone from a tax standpoint in Manchester. In fact, in the current budget only 50% of our budget is coming from the local property taxpayer, which is the lowest ever.

Vice-Chairman Stewart stated good schools are good business. We have been making a lot of economic development investment in our community over the past several years, particularly in the downtown. Anyone who has lived here anytime goes down Elm Street and almost can't believe the difference. Certainly our

schools are the assets of our future and when anyone makes the decision to move to Manchester one of the first things they ask is how are your schools. Communities all over this country and in Canada are making an investment in schools. We have put some examples here. In Oklahoma City the community worked together and developed a funding plan to reshape education with substantial investment in specialty schools and programming, including Spanish in elementary schools. We would like it in the middle schools. Milwaukee. Bond issues created new specialty schools and the curriculum to match through a 10-year improvement plan, similar perhaps to what we are talking about in our 8-year improvement plan in schools and facilities. At the same time that we are improving our facilities we want to improve our programming which is essential for student learning. In Edmonton, an investment in education is central to the city's vision of economic prosperity. Schools need to be one of the components of our economic prosperity plan also. Now comes the bad news. What happens if we have to cut the budget from what we are asking for? Clearly, all of the new initiatives will be cut and as Committee Member Gross has said to many during our budget presentations because we have so many fixed and mandated costs that we explained to you earlier, what really makes the difference in our budget is that little bit more, the things that we have that can go to planning for improvements in education. Certainly no new hires except the required elementary prep period and 10-15 teacher positions will be cut due to attrition or retirement. We will have to slash supplies and textbooks and clearly there will be no new library purchases. No new maintenance projects. No replacement furniture. No expendable trust. Thus putting us in a position to be back here again saying please give us a hand. If there are cuts below the Mayor's budget, an additional loss of 20-40 teacher positions, larger class sizes...Mr. Adamakos told me last week that gym classes at the high school level may be over 40 students. Certainly lower teacher morale. We have talked about reducing transportation for athletics and fine arts events. No funds to appropriate for the deficit reduction and clearly loss of athletic and arts programs. This isn't something that anyone on the School Board wants to have to face. Those are the types of decisions that no one wins by. I think we are finished with our presentation and we would be happy to entertain questions now.

Mayor Baines stated first of all I would like to publicly commend the Vice-Chairman of the Board and the Chairman of the Finance Committee who have collectively put in perhaps more hours than have ever been put in by two people in these leadership positions and it has been a very difficult and arduous process and I commend them for all of the work that they have done.

Alderman Gatsas stated Mr. Donovan I hope that most of the taxpayers in the City of Manchester were asleep when you put this chart up on the wall and maybe you can put it back up and we can talk about it. If we can look at the 1998 figure, it is

just a little over \$4,500 a student. The total school budget of that year was how much?

School Committee Member Donovan replied I have the figures to back up all of this and if you want to dig with this I will...

Alderman Gatsas interjected if you kindly would because it is going to be interesting.

School Committee Member Donovan stated actually all I have is the property taxpayer contribution to that budget. For 1998 the property tax contribution is \$69 million. That is in raw dollars.

Alderman Gatsas asked what was the total budget for the School Department in 1998.

School Committee Member Donovan answered I don't have that. I only have the taxpayer part of it.

Alderman Gatsas stated so the taxpayer in 1998 paid \$69 million. In 1999 how much did the taxpayer pay?

School Committee Member Donovan answered \$49 million.

Alderman Gatsas asked and in 2000 how much did he pay.

School Committee Member Donovan answered \$53 million.

Alderman Gatsas asked in 2001 how much did he pay.

School Committee Member Donovan answered \$56 million.

Alderman Gatsas stated well I think that the taxpayers in the City of Manchester have a lot of people in Aruba right now then because I think if you look at the tax rates and we will have those coming up right now that you can say that the taxpayer in the City of Manchester only paid \$49 million in 1999 but I think you will find that the portion that you sent on to Concord and received back was somewhere around \$34 million in additional dollars. Now you can call it...I heard this expression the other day, you can take Lucy and we know Lucy is a pig and you can dress her up but we still know she is a pig. So when the taxpayer pays this and it is an exchange from the left pocket to the right pocket, it is a tax that they pay. It goes to education. Even though it has gone to Concord and then comes back to Manchester the total amount coming back to the City that the

taxpayer here paid is \$12 million less than the full portion. Now I will get those numbers and we will go through them slowly so that everybody in the City of Manchester doesn't think somebody stole their money and went somewhere with it. They paid the tax whether it was a statewide property tax for education or a local property tax for education they paid it and it came back to this School District and the City of Manchester didn't take that money because your budget was \$111 million and if I remember correctly on the graph you showed \$42 million came from the statewide property tax in 2001. If we add \$42 million to \$56 million that is \$98 million. I think you spent more than that in your budget in 2001. You spent about \$111 million, which is another \$14 million that came from the taxpayers of the City.

School Committee Member Donovan replied I am talking about the Manchester property tax, the State and City portion and the number \$49 million is the combination of the City plus the State portion of the local property tax.

Alderman Gatsas stated well, your Honor, I guess we are just stuck on a level that if somebody wants to say that then the amount that was raised at the local level and was raised at the State level that is not a true answer.

School Committee Member Donovan replied it is a very true answer. We know because there are people in Portsmouth and Sanborton and other towns who are complaining because they are sending money to Manchester. They sent the money to Manchester...

Alderman Gatsas interjected what do you think the total contribution...the total contribution...

School Committee Member Donovan interjected excuse me I am not finished...

Alderman Gatsas interjected let me ask the question...the total contribution for donor communities is how much statewide.

School Committee Member Donovan replied I don't know that. All I know...

Alderman Gatsas interjected I will give you the number. It is \$32 million.

Mayor Baines stated hold on a minute. What I think we need to do and this is going to be the beginning of a long and arduous process, is keep the dialogue calm, civil and respectful and I think we will accomplish a lot more. We should let people finish speaking.

School Committee Member Donovan stated we know under Claremont that there are donor towns and receiver towns. Manchester is a receiver town and when Manchester received the additional Claremont money it went to reduce the property tax. In Nashua they put some of that money aside and they are using that money to build a new high school. Manchester made a different choice.

Alderman Gatsas asked how much money was that. Do you know?

School Committee Member Donovan answered I don't know that. I know that they put some of their extra Claremont money aside and it helps them now with their new high school.

Alderman Gatsas stated let me ask you the question another way. I am not interested in Nashua because it doesn't really matter what they do because their budget on the school side is a lot different than the way we handle it here. You will agree with that won't you?

School Committee Member Donovan replied actually I think it is somewhat similar.

Alderman Gatsas responded no I think they have a cap but we won't go there.

School Committee Member Donovan stated I was talking about the relationship between the Board of Mayor and Aldermen and the School Board.

Mayor Baines stated just to clarify that it is much different. For example, they had a Welfare deficit recently and the Mayor actually directly took money out of the school district budget as I understand it to help with Welfare. So they actually have more direct control over the school district than we have here.

Alderman Gatsas stated maybe you can help me with this. If the taxpayers of Manchester, let's use 2001, only spent \$56 million in tax dollars for education what happened to the rest of their money?

School Committee Member Donovan replied the other money came from other sources that we have. It includes tuition revenue. We receive over \$10 million of tuition revenue. We receive additional money from the State, the Adequate Education Grant, above and beyond the State portion of our property tax. We are a net recipient. It is the money that used to be separated into the lottery money...all of the other education grants are lumped into what is called an Adequate Education Grant and we can go back to that.

Alderman Gatsas stated your Honor I need to wait until I get some information.

School Committee Member Donovan stated the State revenue sources as you can see...you add all of those amounts up, the \$42 million is money we received in addition to the \$28 million. It was just the State property tax that we here in Manchester pay.

Alderman Gatsas stated let me just go through because I am looking at a real property tax rate. In 1999 when there was no Claremont the local school property tax rate was \$18.47 per \$1,000. In 2000 the local property tax rate and that is where I assume you got your \$49 million number, was \$6.10. I assume that is where the \$49 million came from...using that rate?

Mayor Baines stated I think that is accurate. Did you do these charts Ron?

School Committee Member Donovan replied I did the charts.

Alderman Gatsas asked is that where the \$49 million came from, using the \$6.10 local property tax rate.

School Committee Member Donovan answered I have about eight pages and I can't do the math for your right now.

Mayor Baines stated it was based upon whatever the local property tax was in that year I think.

School Committee Member Donovan replied right. It was based on the valuation times the...

Mayor Baines interjected the local tax rate.

School Committee Member Donovan stated I got it. I have valuation of roughly \$3.8 billion times the local school tax of \$6.10 plus the State school tax of \$6.94.

Alderman Gatsas replied that is the State rate so would you not agree that at some point the taxpayer for education paid a total of \$13.04 for education.

School Committee Member Donovan responded down from \$18 per \$1,000 the year before.

Alderman Gatsas stated I guess my question is is that a correct number.

School Committee Member Donovan replied yes and it was a substantial decrease. It went down from \$18.47 to roughly \$13. That is a huge decrease, almost 15%.

Alderman Gatsas asked did we decrease the school budget by 15%.

School Committee Member Donovan answered no because as a result of Claremont we had a substantial increase of non-Manchester based revenue.

Alderman Gatsas asked but your budget did increase.

School Committee Member Donovan answered absolutely.

Alderman Gatsas asked by 10% or 12%.

School Committee Member Donovan answered I don't know the percent.

Alderman Gatsas asked in 2001 the local property tax was \$7.04.

School Committee Member Donovan answered that was in 2000.

Alderman Gatsas stated I am looking at 2001 here.

School Committee Member Donovan stated I have for 2000 \$7.04 and \$6.86 for the State rate and I have for 2001, which I think was after the revaluation, \$5.25 plus \$5.66 for the State rate.

Alderman Gatsas replied I guess what we are doing is we are talking different fiscal years.

School Committee Member Donovan responded we could be.

Alderman Gatsas stated I think that is where we are off. So in 1998 when we used that \$18.40 tax rate, that was for the \$69 million. It has to be.

School Committee Member Donovan stated that is for the \$69 million, yes.

Alderman Gatsas replied so we had a tax rate of \$18.47, which produced \$69 million.

School Committee Member Donovan responded yes.

Alderman Gatsas asked and what you are telling me is that for \$6.10 in 1999 we only produced \$49 million.

School Committee Member Donovan answered no. \$6.10 on the local property tax and \$6.94 on the State property tax equals \$49 million...equals \$13 per \$1,000.

Alderman Gatsas asked so you are saying that the most that produces is...

School Committee Member Donovan interjected that would be about \$49 million, which is roughly if you figure the difference between \$18.50 down to \$13 is roughly a 1/3 decrease, the difference between \$69 million to \$49 million is roughly a 1/3 decrease. Absolutely.

Alderman Gatsas replied right and on the City side the tax rate in 1999 was \$12.17.

School Committee Member Donovan responded I have that as 1998 but \$12.17 is correct.

Alderman Gatsas stated and the School side was \$18.47. About a 50% difference.

School Committee Member Donovan replied right and in 1999 the City side went up from \$12.17 to \$15.53, which I would say is about a 20% increase in one year.

Alderman Gatsas stated right and if you go to the next line, the 2001, the City side is \$14.74...

School Committee Member Donovan interjected right depending on how you count the years it went down to \$14.74 correct.

Alderman Gatsas replied and the School side...now inclusive we should add the two of them together because you said \$13.04 for the School Education side and in 2001 it is somewhere around \$13.90.

School Committee Member Donovan responded \$13.90 you are correct.

Alderman Gatsas stated and in 2002 with the revaluation the City side was \$11.26 and the School side was \$10.91. So, the numbers that we are looking at is...what you are saying is the taxpayers in the City of Manchester are not paying their adequate share.

School Committee Member Donovan replied that is right.

Alderman Gatsas stated so you think we should increase their tax rate by almost double to get you where you want to be so we should increase the tax rate by at least \$10 per \$1,000.

School Committee Member Donovan replied I am suggesting that the taxpayers of Manchester, through 1998, were making a higher effort toward educating their children, the investment in tomorrow, than they are today. We are not asking...our proposed budget doesn't take them back up to the levels of 1998. It takes them part way there but it certainly doesn't take them all the way there and we are not asking for that.

Alderman Wihby asked on the budget analysis, the salaries of \$69,858,005 and the benefits of \$21,673,790, I assume that is like 30%. If you look at the numbers it is 70 and 21 so...

School Committee Member Donovan interjected I think Mr. Chapman could better explain that.

Alderman Wihby replied when I look at payroll it is almost \$70 million and benefits are \$21 million so you are calculating 30% on benefits but when I look at all of the numbers for the new hires it is more than...for instance the new hire for seven new teachers of \$254,000, 30% of that is \$75,000 not \$109,000. If you go through all of those new hires that you have, that is \$260,000 inflated. Can you tell me why?

Mr. Chapman responded all of the new hires are in family plans for the health insurance program whereas...obviously we have actual data for all of the employees who are currently employed at the District. You get a better average obviously with all of the others but I have got in the budget for the new hires the full family health plan of approximately \$10,300.

Alderman Wihby asked so you can assume that 1,600 are at 30%.

Mr. Chapman answered I think I am pretty conservative considering what we are seeing coming out of the City departments. I think some of those numbers for benefit charges from Highway, etc. are significantly higher than 31%.

Alderman Wihby asked where did you get that number of 30%.

Mr. Chapman answered it is a calculation.

Alderman Wihby asked that is a calculation also.

Mr. Chapman answered yes.

Alderman Wihby asked how many teachers are you expecting to retire to save \$331,000.

Mr. Chapman answered the retirements are...there are assumed to be 29 retirements as far as teaching staff goes.

Alderman Wihby asked how about benefits for those 29.

Mr. Chapman answered well I did not do anything with the benefits on those staff members other than leave them as they are currently calculated. I could have put those back in in another full family plan but I did not.

Alderman Wihby asked why isn't there a savings in benefits on 29 retirees.

Mr. Chapman answered basically on the 29 people because they are 20-year employees...I can go back and calculate each of those but I have a feeling that those are going to be either single or two-person plans. There are a few family plans in there but not significant. On the other hand when we go back and hire a five or six-year teacher we are assuming that it is going to be more of a mix.

Alderman Wihby asked is that the difference - \$331,000 is the difference between somebody retiring and somebody coming on new.

Mr. Chapman answered \$331,000 is salaries...we are estimating approximately \$400,000 for replacement of the retired teachers.

Alderman Wihby stated wait a minute. There are 29 people in that \$331,000 and you are assuming that you will hire 29 additional people and saving \$10,000 between the top and the lower.

Mr. Chapman replied also what I factored in there, which we didn't have last year is there are also approximately 18 teachers coming back from leave of absence who will come in and replace lower priced teachers that we brought in for a year. It is all in that calculation.

Alderman Wihby responded you are figuring the benefit on the \$70 million for the salaries.

Mr. Chapman replied I figured the benefit on all of the employees, yes.

Alderman Wihby stated so the \$70 million salary includes the retirees.

Mr. Chapman replied yes that includes the retirees.

Alderman Wihby responded so \$331,000 is the difference between starting somebody new and retiring plus the benefits.

Mr. Chapman replied strictly salary, no benefits.

Alderman Wihby asked and to the revenues what I don't understand is we are having a bigger budget so why aren't tuitions higher because tuitions are based on the budget aren't they.

Mr. Chapman answered the tuition is a combination of things. Obviously what we had is as we did again this year we budgeted for approximately 1,800 total students, which is up about 75 students on a tuition basis than it was previously.

Alderman Wihby asked so the increase when I am looking at the estimated revenue...that increase between \$10,235,000 and \$10,654,000 is due to increased number of students.

Mr. Chapman answered yes.

Mayor Baines asked can I clarify the tuition for you. The numbers that are provided by the School District are not accurate and they were not based upon actual numbers. In fact, no one went to the schools and got the accurate numbers on actual students who have been registered. We did that at the request...I asked Mr. Adamakos if anybody had asked for that information. No one had asked for that information. We then went to the schools, got the accurate number on the tuitions and that reduced it percentage wise in terms of the patterns that happen in the schools. My budget reflects the actual numbers projected on revenues from the schools based upon information from the schools that the School District did not have and I believe still has not revised.

Mr. Chapman replied with due respect, Mayor, I have not seen the revenue numbers with regards to tuition but did you deduct for the credits that we historically have given the sending school districts every year when we are not able to meet our revenue tuition projection. This past year we issued out almost \$400,000 worth of credits because we billed out at a higher rate than we ultimately ended up paying for. My numbers do reflect that on a net basis.

Mayor Baines responded my point was, Ron, that no one actually asked the schools what their numbers were. I am just pointing that out and I think when we get into these numbers that is when the trouble starts to occur when nobody asks.

The information was available. Secondly, on revenues the information that we have in my budget is the information that was given to us by the State. We actually called the State and asked what would Manchester be receiving and the numbers that I put in my budget were the result of a simple phone call to the State asking what is Manchester going to receive next year. It is not the number that was up here. It was a number that was actually given to us by the State.

Mr. Chapman replied again with all due respect, your Honor, if you could share that with me I would be more than happy to correct our numbers. I haven't seen your revenue numbers.

Alderman Wihby asked have we seen your revenue numbers. Is it in the black book?

Mayor Baines answered yes.

Alderman Wihby stated I guess where I am coming from is if I look at the tuition number it is \$419,000 higher if you look at these numbers and you just said it is due to increased students but yet if you look at the sheet that you gave us and you are counting the revenue for this year it is the same number. Why wouldn't I have an additional...at least just looking at that number an additional \$420,000?

Mr. Chapman replied again what we have done, as the Mayor said, is taken our numbers and I have taken out a certain amount of credits...

Alderman Wihby interjected no what I am getting at is now, today you told me that you are going to have \$6,661,656 for this year. That is what you told me today in the sheets that you have given us. Yet, you used \$6,654,000 so you are using \$7,000 less right now than you tell me you have this year but yet you just told me that you are going to have 75 new students.

Mr. Chapman replied we are going to have 75 new students but we also have credits and a lower billable rate depending on what we go with for tuition for this year. Basically because we have frozen this budget predominantly for the last six months many of the costs that we have that were billed through the School District to the sending districts we are not going to have. I am currently billing all of our school districts at approximately \$6,300 for a high school student this year. We may end up closer to \$5,800 or \$5,900 at the end of the year when we finish off and figure out all of our costs. That means I will have to give each town approximately \$300 to \$400 per student back as a credit sometime in the fall or early spring of next year.

Alderman Wihby stated what I don't understand is you came to us today and told us you are going to have an additional revenue of \$600,000 and you want to spend it and you want this Board to give it to you. Now you are telling me that you are not going to reach that in tuition and you might have to give \$400,000 back.

Mr. Chapman replied as is done every year what we do is in our FY03 budget we forecast a revenue amount and we forecast a credit amount and we come up with a number and we are conservative in that number.

Alderman Wihby asked is the \$10,661,000 that you told us today that you are going to get this year is that an actual number.

Mr. Chapman answered that is an actual number.

Alderman Wihby asked so why are you less. You have already used credits this year from last year.

Mr. Chapman answered but every year we give credits but this next year we very possibly are going to have to give an extra \$100 to \$150 worth of credits because we will not have the expenditures at the high school level that we have historically had. \$150 times 1,800 kids is roughly another \$200,000 to \$250,000 in credits that I would have to give so if I keep the level...if I had the current level of \$6.6 million less the \$250,000 I am at \$6.3 million so I am still forecasting an increase for next year.

Alderman Wihby stated I am just trying to understand. This year you had credits and with those credits you still got \$10,661,000. Now next year you are telling me there is 75 new students and that is going to be an extra \$420,000. You already counted credits this year so if you assume it is the same credits next year...

Mr. Chapman interjected I am not assuming that, Sir.

Alderman Wihby asked why isn't it.

Mr. Chapman answered because of the cost in the shutdown on expenditures for supplies and other materials that we were spending in the high schools will not be there, I may not have that high a level to bill out on a per pupil basis for cost. We could end up spending an extra \$100 to \$150 per student for credits if not more.

Alderman Wihby asked so the \$10,661,000 is good now but next year you are going to credit more because you charged too much for the \$10,661,000.

Mr. Chapman answered that is quite possible.

Alderman Wihby asked if you do that why isn't that credit thing on this year's budget, which would have put you in a bigger deficit.

Mr. Chapman answered because historically what happens is with the contracts all of the information gets calculated sometime in October or November in order for us to do the MS forms that we supply to the State. That is when we finally get the number, after we clean up everything and get it audited we then propose to the districts a new rate for the following year we also give them the old rate that it cost them for the previous year. By contract we then give them the credit in the ensuing year.

Alderman Wihby asked so the credit this year was how much.

Mr. Chapman answered the credit this year was approximately \$394,000.

Alderman Wihby asked which comes out of that \$661,000 number.

Mr. Chapman answered correct.

Alderman Wihby stated and then because you are not going to get...and that was based on the total budget that you had not on what was adopted.

Mr. Chapman replied right.

Alderman Wihby asked so because of that you are not going to get...well are you going to get \$10,661,000.

Mr. Chapman answered we will get \$10,661,000 because all of the credits are already out. We will have billed them at the current year rate. Our issue is what number do we use for next year and as we said before we come in here and we give you a number now and we will do the same thing when we come back in October. We will have a tighter number as to what the credit is because at that point in time we know and we pretty much have a final audited report. We will know how much we should have billed them for this year and we will also know how many dollars we should bill them for next year.

Alderman Wihby asked historically have we seen ups and downs on what we bill out-of-town students for tuition.

Mr. Chapman answered yes. More often they go down then they go up unfortunately.

Alderman Wihby asked is it due to fewer students or is it due...what would make it go down.

Mr. Chapman answered normally it is due to...overall the cost per pupil goes down because we don't spend at a high enough level at the high schools and we get more students in than anticipated. The good news is that we can bill out at a higher rate but the bad news is that at the end of the year we have to give them more credits.

School Committee Member Donovan stated Mr. Plodzik has said that it is okay for us to treat the credits that we have to give in the following fiscal year as being attributable to the following fiscal year. He said that is typical around the State.

Alderman Wihby asked that credit is typical to put in the next year because you don't get it until November.

School Committee Member Donovan answered that is right. That is what he said. That is okay to do from an accounting standpoint. He said it is typical of other school districts.

Alderman Wihby stated if costs are going up, you know you got a 15% increase in your budget but yes you anticipate less tuition.

Mr. Chapman replied I have not fully...most of the cost increases in this budget don't relate to the high school areas. They are more related to the elementary and middle schools than they are the high schools so I did not anticipate a significant increase in high school costs in our budget for next year. However, I will be more than happy to look at the Mayor's number and if we are significantly off we should be able to rectify that and have another number for you at budget time.

Alderman Wihby asked what about impact fees, the extra \$200,000.

Mr. Chapman answered on the impact fees I received a letter from Joanne Shaffer identifying that the \$175,000 would be a better number to budget for this year. Again, that is one of the reasons...last year where we had \$100,000 in then we had \$160,000 in and then Bob came in and said it could go to \$375,000 that is why we bumped it up last year. This year we have a letter that says use the \$175,000 because it appears to be more realistic.

Alderman Wihby stated interest income this year is \$140,000. Are you expecting less cash?

Mr. Chapman replied again I am not sure. We could move that number higher and that is up to the Board but at this point in time I am not comfortable given the low interest rates that we are seeing...I think Kevin can probably testify to that. I would assume that the City is also budgeting a little bit lower if not level on the interest income.

Alderman Wihby asked how about catastrophic aid. This year it is more than what you had down here.

Mr. Chapman answered catastrophic aid we will know probably before you set your budget a good number from the State but as we explained last year the State number does not historically come out until late May or early June at the earliest. More likely it comes out in September and then we get those numbers back from the State and we put in the number when we go to DRA. That is a number that DRA will change to be very specific at tax rate setting time.

Alderman Wihby asked does that go by students.

Mr. Chapman answered they go by students and it is based on what they call the SPEDIS report, which is a special education information system report that they get from the State Department of Education. The State Department of Education provides DRA with an up-to-date report sometime in September that will quantify that number. The State Department of Education also gives them a report that quantifies the building aid number at that point in time. So those are the two numbers that DRA will automatically change irregardless of what number I put in there.

Alderman Shea stated I have a few generic questions. When you speak of the enrollment increase are you predicating about 72 new enrollees. Is this distributed in the middle school and the elementary school level so the total amount will come out or is there more of a concentration on the elementary or are you using kindergarten registration and so forth for that increase?

Mr. Chapman stated it is more the middle and high schools. The issue with the elementary school is that there are pockets of increases. The Beech Street and Wilson area has experienced a significant increase. Other schools in town are seeing some decline with regards to incoming students as well as students that are remaining. I think generally the elementary level is starting to in total kind of plateau out. The middle school is still climbing and the high school is growing as well.

Alderman Shea asked and there are new developments, I believe, over by Green Acres School. Is that going to impact that school?

Mr. Chapman answered I believe that is Alderman DeVries' issue and concern that at some point in time we are going to get impacted by those. We are staying in touch with Mr. MacKenzie with regards to this whole...the Mayor's program for the school improvements and the renovations and the new additions by looking at where the developments are to try and make sure we have the capacities in the necessary areas of the City so that we can get this major project done and done properly the first time so we don't have to come back and do a rebuild somewhere in the future.

Alderman Shea stated the second question is the President's plan, is that going to be unmandated funding or is that mandated.

Vice-Chairman Stewart replied based on what we heard last evening it is mandated and the funding that we heard just as an example for one school clearly in our minds was not going to meet the cost of the mandate. There was going to be a gap. I can't tell you how much but clearly it was not going to cover the expenses that were associated with the program.

Alderman Shea stated a very large expenditure is the transportation of special need students and at one time my understanding was that if a student were down in Massachusetts or in a special school that the school district provided transportation for the parent to go to that school or for the child to be transported back and forth. Does that explain why there is a large expenditure in that regard for special needs students?

Mr. Chapman replied basically it is two-fold. It is exactly as you explained. We have outer district students that we do transport to various places as were outlined in the book in the back under student services. We have many students who are transported out of town on special placements. We do pay for those costs to transport. Unfortunately the cost of transporting is going up and is continuing to rise on an annual basis so we are in the process of looking at a couple of opportunities that we may be able to bring some of those costs down but at this point in time we haven't solidified any of those opportunities.

Alderman Shea asked is it necessary to transport either the student or the parent in a special vehicle or are there mandates where you can transport them as long as there is insurance coverage.

Mr. Chapman answered depending on the severity of the students and the handicapped situation...we transport the children in the appropriate vehicle for the child's safety. If it is a wheelchair bound student, for example, it would necessarily have to be in a wheelchair van. If it is just a different type of student

we may be able to put that student in a plain 12-passenger van or a 15-passenger van that happens to be going to that school.

Alderman Shea asked the cost of City services is higher. Do you build in increases for these particular people like nurses and others? Do you build in in your type of costs their higher salaries as given to you by say the Health Department, the Police Department, the Fire Department, etc.?

Mr. Chapman answered the numbers you have before you, Alderman, are exactly the numbers that were provided to us at this time by the Health Department, the Police Department, Highway and Parks & Recreation so all of those have significant benefit and salary increases and those are the numbers we are carrying at this time.

Alderman Shea stated okay so your expenditures also include the raises. My last question is, and you knew this was coming, why don't we do something in the schools to help kids who are talented or gifted? I mean you are putting in a health program, which is all well and good but wouldn't it be much better to higher teachers and teach a foreign language and have this foreign language teacher go throughout the elementary schools and even work at the middle schools. That would give you people a much higher rating with the community. They would say you are doing something for the good guys and not always, and I don't mean this in the wrong sense, but for the bad guys. These are the kids who are going to be our future leaders. They are going to be lawyers like Mr. Donovan or maybe a professional person like the Mayor. These are people who are going to be leaders. We spend so much money on people and I know some are mandated but we forget that we are...as you indicate here you are trying to help all the kids and we do a pretty good job at the high schools with advanced placement but at the elementary and at the middle school we don't do enough. One other point before I finish – please examine the cost to the community of the middle school. Please examine that. I think you would find that if the instructional types of programs were more controlled I think there would be a significant savings on the part of the community. To me, if a science teacher taught 6th, 7th and 8th grade or a math teacher 6th, 7th and 8th grades and there was a little more departmentalized teaching and things like that I think there would be a savings in my opinion.

There being no further business, on motion of Alderman Smith, duly seconded by Alderman Lopez, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee